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Militia in Lebanon Sets Free French Colonel in UN Unit

The Associated Press

METULLA, Israel — Militiamen in south Lebanon holding 21 Finnish soldiers as hostages released a French officer they had also taken captive, a UN spokesman said Sunday.

The spokesman, Timor Göksel said that Colonel Jean-Michel Bléméjiani had been held since Friday, but that the United Nations had only learned of his detention on Sunday. Colonel Bléméjiani serves with the French unit of the UN forces in Lebanon.

The Finnish troops were taken hostage by members of the Israeli-backed South Lebanon Army in an effort to secure the release of 11 militiamen held by Shiite Moslem guerrillas. The commander of the South Lebanon Army, Brigadier General Antoine Lahad, said he had ordered his men to release the Frenchman.

The militia has freed four of the 25 Finns since the seizure of the troops on Friday. The commander of the 490-man Finnish battalion, Colonel Venni Hakala, was re-

leased Friday. UN sources said he had been beaten up.

Three enlisted men were freed Saturday night, in what Brigadier General Lahad called a "goodwill gesture."

Mr. Göksel said that Colonel Bléméjiani, the deputy chief of operations at the UN's military headquarters in the south Lebanon port of Naqura, was released in the village of Qantara, six miles (10 kilometers) north of Israel's border. Mr. Göksel said the officer was unharmed.

Brigadier General Lahad said in Metulla, an Israeli border town, that he saw "a sort of progress" in the negotiations to end the crisis. But UN sources said that the confrontation did not appear close to being resolved.

The general stressed that "this regrettable affair will not be over until our men are released." Leaders of the Shiite Amal militia holding the 11 South Lebanon Army men, all Shiites, have refused to let them go.



UN troops blocked access to Qantara, Lebanon, where two of 21 hostages were being held.

The soldiers of the 5,600-man UN Interim Force in Lebanon, known as UNIFIL, have been caught in the cross fire between the mainly Christian South Lebanon Army and the Amal militia trying to dislodge them from Israel's buffer zone in southern Lebanon.

Beirut newspapers speculated that the hostage seizure was engineered by Israel to pressure the 10-nation UN force to withdraw from southern Lebanon.

Israel has long insisted that the UN troops, which have patrolled

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Soviet to Stress Offense Against SDI, Officer Says

By Jim Hoagland
Washington Post Service

MOSCOW — The Soviet Union will not attempt to match the Reagan administration's costly military program in space but will instead concentrate on building cheaper offensive nuclear missiles that could overwhelm an American shield, one of the Soviet Union's highest-ranking generals has asserted in an interview.

"We are not going to take the path that the U.S. administration is trying to force us onto," Colonel General Nikolai Chernov said Friday. "We have made it clear that we will not ape the United States" in spending billions on a space system.

In addition, General Chernov suggested that Moscow had concluded that the arms control process that has governed U.S.-Soviet relations for two decades is on the verge of collapse despite the resumption of negotiations between the two nations in Geneva.

General Chernov is a senior department head on the Soviet general staff. He characterized his remarks as personal views, but he is a central figure in Soviet strategic policy-making, and his views are thought to represent those of the Soviet military establishment.

His remarks during a two-hour conversation with two American journalists also provided an authoritative Soviet view of the negotiating deadlock in the Geneva talks, which cover space weapons, strategic nuclear missiles and intermediate-range rockets stationed in Europe.

General Chernov said that the U.S. negotiations were countering the Soviet Union's demand at Geneva for a total ban on the proposed Strategic Defense Initiative by "proposing to us that we agree about some rules of conduct for the arms race in space — that is, what particular weapons shall be developed and at what time."

The Soviet Union "demands a complete ban on attack weapons in space," he said. "We want to prevent an arms race in space altogether. And we must ask what the United States is proposing to prevent this."

Moscow has mounted a major campaign in recent months to discredit the SDI, known popularly as "star wars," accusing the United States of planning to put first-strike nuclear weapons into space.

The United States has denied this, and General Chernov's remarks were evidently intended to

Pravda accused the U.S. of trying to "wreck" SALT-2. Page 5.

We are not afraid of some sort of technological breakthrough or that the United States will get a decisive advantage or superiority through superiority through the SDI."

His comments seemed to suggest that Moscow had reached certain basic decisions about how to proceed with its strategic programs in case the arms control process collapsed.

Many of the points he made had been articulated in a more oblique form recently by the defense minister, Marshal Sergei L. Sokolov, and the chief of staff, Marshal Sergei F.

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Most Americans in Poll Back Curbs on Imports

By Clyde H. Farnsworth
New York Times Service

NEW YORK — Most Americans think that trade with other countries costs jobs in the United States, and they consider restrictions on imports a good idea even if it means less choice among the products they want to buy, according to a New York Times-CBS News Poll.

In five Middle Western states where factories have faced the strongest competition from imported goods, 75 percent of the residents blame foreign trade for the loss of jobs, the survey showed.

However, even in Western states, where the conflict between imports and jobs has been less intense, 62 percent link trade with job losses. Nationally, 69 percent felt that other problems, such as the budget deficit or arms control,

At the same time, 53 percent of Americans, when asked simply whether trade helped the economy or not, replied that it did, an indication of some uncertainty in the public attitude.

The poll of 1,509 adults, which was conducted just a few days before the government reported a record trade deficit of \$1.85 billion in April, provided fresh evidence of rising protectionism.

The findings are a backdrop to the demands in Washington for curbs on Japanese automobiles, Korean shoes, Chinese shirts, Mexican cement, Canadian lumber, French wines and many other products. Moreover, the protectionist view is strongest among the small but vocal minority that regards trade as more important than other problems, such as the budget deficit or arms control.

"They show that the consensus for keeping the U.S. market open is beginning to erode," said Rufus Yerxa, staff director of the House Ways and Means Committee's trade subcommittee.

The poll, which was conducted by telephone from May 29 to June 2 and has a margin of sampling error of plus or minus three percentage points, found that 70 percent of the population thought that trade restrictions were a good idea while 21 percent did not.

Asked whether restrictions still would be a good idea if they resulted in a narrower choice for consumers, 60 percent said yes. Then, asked if they would still be a good idea even if foreign countries retaliated by curbing U.S. exports, 41 percent still said yes.

"These results don't really surprise me," said Isaiah Frank, international economics professor at Johns Hopkins School for Advanced International Studies, an ardent free trader.

"After all," he said, "the advantages of trade, a more dynamic economy and higher standard of living for everyone, are generally taken for granted, while the disadvantages are felt in a very personal way by friends, family, neighbors in the community. The negatives in this case overwhelm the positive."

Nearly a quarter of the respondents in the latest poll ranked trade as the first or second most important national issue, when asked to compare it with arms control, tax reform, the budget deficit and conflicts in Central America.

Several analysts suggested that the finding that a majority felt trade helped the economy while hurting jobs betrayed a perception that trade was managed in a way that was unfair to the United States.

Mark A. Anderson, a foreign trade analyst for the American Federation of Labor and Congress of Industrial Organizations, cited several examples: U.S. products lack of access to many foreign markets, such as Japan or Mexico; heavily subsidized exports from a number of developed and developing countries, and other trade distortions caused by the high value of the U.S. dollar, which brings in cheap imports and discourages exports because they are made more costly.

William D. Eberle, a former U.S. trade representative, argued that another example of unfairness was that the United States took 64 percent of all the exports of developing countries, which is a far higher proportion than other rich countries. The European Community takes 25 percent, Japan 8 percent and other countries 3 percent.

Mr. Eberle and other analysts said that the poll results emphasized the urgent need for the Reagan administration to find a coherent strategy for dealing with the problems of unfairness in trade and

Bad Dream at State Dept.: Agreement With the PLO

By Bernard Gwertzman
New York Times Service

WASHINGTON — A senior State Department official said recently that his "nightmare" was that the Palestine Liberation Organization would agree to all the conditions set by the United States for recognition by Washington, provoking a new crisis in American relations with Israel.

"What would happen then is that we'd have to do what we promised and talk to the PLO, and Israel would probably go off the reservation," the expert on Middle East affairs said.

"And instead of being able to concentrate on peace negotiations, we'd have to spend our time pacifying the Israelis. That's my personal nightmare."

So far, the PLO has not accepted unequivocally the U.S. conditions — recognition of Israel's right to exist and acceptance of United Nations Security Council Resolutions 242 and 338.

Yasser Arafat, the PLO leader, said in an interview in The Wall Street Journal on Friday that he still was holding off on a public declaration. But he did not repudiate King Hussein of Jordan, who said publicly in Washington last week that the PLO had accepted the U.S. terms and was ready to name members of a joint delegation with Jordan to negotiate peace with Israel under the "umbrella" of an international conference.

Even though the PLO had not yet confirmed Hussein's statement, just the appearance of movement by the Arab United States toward peace talks has led to criticism in Israel of the United States, with the attacks coming most sharply from

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the Likud bloc in the national unity government, led by Foreign Minister Yitzhak Shamir.

The Israelis were upset because Secretary of State George P. Shultz called Hussein's visit an important step forward toward ending the Middle East diplomatic deadlock.

Prime Minister Shimon Peres, the Labor Party leader, has not closed the door on peace talks, because he may decide to force a new election on that question next year to forestall handing his job over to Mr. Shamir, as he is scheduled to do in October 1986. But for the moment, he has chosen to be much less supportive of the U.S. efforts than the Reagan administration would like.

In some of the harshest words against the United States in the past two years, many Israeli officials have accused the administration of being taken in by Hussein's words and of being too eager to deal with Palestinians in the Palestine National Council, which most Israelis regard as tantamount to talking to the PLO.

Since 1983, when Arab nations did not support the U.S.-negotiated accord between Lebanon and Israel, the Reagan administration had remained aloof from Middle East diplomacy, contending that it was up to Jordan and the PLO to agree to negotiate directly with Israel. That position fitted in well with Israel's desires.

Faced with an economic crisis at home and having to end the occupation of Lebanon, the Israeli leaders made it known they were not looking for the additional burden of negotiations on the future of the Israeli-occupied West Bank and Gaza. Perhaps in 1986, Israeli officials said, but not now.

Any negotiations involving Jordan and Palestinians would inevitably force Israel to face up to such difficult political issues as the delineation of Israel's borders, the future of Israeli settlements in the West Bank, the status of Jerusalem and the kind of self-government that should be given Palestinians in the region.

On all these questions, Israel was sure to have significant differences with the United States.

For the moment, there is no agreement on the format for negotiations between Israel and the Jordan-Palestinian

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U.S. Calls Walker a New Breed of Spy

Money Motive, Nature of Damage Make Navy Case Unique

By Joel Brinkley
New York Times Service

WASHINGTON — In unraveling what may be the largest espionage ring in U.S. history, federal officials say they have discovered a new breed of spy.

Both the method of operation attributed to John A. Walker Jr. and the three men being held as his accomplices and the kind of damage they may have caused, officials say, make this purported spy ring unlike any other.

The FBI has charged in court documents and interviews that Mr. Walker, 47, recruited friends and relatives around the world and coached them on spying techniques. Then, like a businessman visiting branch offices, he flew around in his own plane to collect the classified material and sell it to the Soviet Union.

But what concerns American officials most is how people holding relatively low positions in the U.S. Navy may have enabled Mr. Walker to break through the system that the United States uses to safeguard its most important secrets.

"You protect information by compartmentalizing," an intelligence source said. Details of criti-

cal national security matters are spread among several offices so that almost no one has access to all of it.

But the FBI charges that Mr. Walker and his accomplices managed to penetrate a variety of facilities.

The intelligence source said the navy affair had "the potential to be the most damaging case" since Julius and Ethel Rosenberg were convicted in 1951 on charges of giving the Soviet Union plans for the atomic bomb.

Another troubling aspect of the Walker case, officials say, is that

unlike many prominent spies of the past, those who have been arrested seem to have been motivated by money rather than ideology. Since 1979, Mr. Walker may have netted \$80,000 to \$100,000 a year from spying, according to the Internal Revenue Service.

Federal officials say it is much more difficult to detect people who are spying for money because greed is a widespread, untraceable motivation.

A daily drama of disclosures and arrests has unfolded since Mr. Walker was arrested May 20 and

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Russians Break Siege At Afghan Border Town

The Associated Press

ISLAMABAD, Pakistan — A Soviet armored column broke through the last guerrilla lines to relieve the besieged Afghan border town of Barikot after two weeks of fighting, rebel officials said.

Barikot is at the head of the Kunar Valley and close to the border with Pakistan. Guerrillas have besieged the town for months at a time over the past four years and it had to be resupplied by air for the past year.

A rebel official said Saturday that Soviet tanks and armored personnel carriers reached Barikot on Friday night. The armor, he reported, led the way for a force of about 10,000 Soviet troops that began an offensive three weeks ago to seize the Kunar and lift the siege at Barikot.

"But we are not finished," the rebel official said. "The mujahidin are still strong." The mujahidin are Moslem guerrillas.

Soviet troops entered Afghanistan at the end of 1979 and presided over the removal of one Marxist government and its replacement by another. The Kabul government now is supported by an estimated 110,000 Soviet troops. The rebels operate from bases in Pakistan, bringing arms and supplies across the border.

A guerrilla said, "It looks like a big victory for the Russians." Thousands of villagers were fleeing the valley, trying to get across the mountains into Pakistan, the guerrillas said.

Pakistan has complained that Afghan planes attacked the Pakistani village of Sweer across the border May 31, killing 12 persons and injuring 31.

Pakistan's president, General Mohammed Zia ul-Haq, toured Sweer on Saturday. He said Pakistan would not continue to endure attacks and violations by Afghan planes and would strike back, "whatever the consequences."

Bombs Explode Near Palace as Belaunde Meets Alfonsin

A policeman stands in front of a car that exploded outside the presidential palace in Lima on Saturday night as President Raúl Alfonsín of Argentina and President Fernando Belaunde Terry of Peru were meeting at the palace. Two persons were killed and 18 injured after terrorists set off two car bombs in the capital, cut off electricity to large parts of the nation and set fires at 10 shopping centers. The two dead apparently were killed by police. Police arrested more than 900 people. They blamed the violence on Shining Path, a Maoist group.

Dry Clubs Toast Teen-Age Sobriety in U.S.

By Dirk Johnson
New York Times Service

FAIRFIELD, Connecticut — Since it opened earlier this year, the "Let's Dance" discotheque has been packed on Friday and Saturday nights with hundreds of teen-agers dancing to rock music.

The discotheque, which does not serve any alcoholic drinks, will expand to a four-night schedule during the summer and plans to open two branches. Similar clubs have opened throughout the New York City region.

The success of the dry clubs, many educators and students said, is among several signs that alcohol and drug use are starting to decline among teen-agers. Just a few years ago, club owners said, teen-age discotheques would have flopped. Illegal use of alcohol was the centerpiece of many social gatherings.

To be sure, beer continues to flow at some suburban house parties, and many teen-agers continue to find a way to get into adult nightclubs.

But at "Let's Dance" one recent night, the teen-agers seemed content with soft drinks. "It's a choice between dancing and drinking," said Nicole Paternoster, 17, of Fairfield. "I'd rather dance."

While drinking and drug use remain prevalent among some, abstinence

Nicaraguan Rebels Expected To Issue a Code of Conduct

By Leslie H. Gelb
New York Times Service

WASHINGTON — The Nicaraguan rebels, under prodding from the Reagan administration, are expected to make a new effort this week to project a more democratic image, according to administration officials and congressional sources.

The officials said that the rebels would issue a "constitution-like document" or code of conduct designed to ensure civilian control of their military wing and to soften their identification with the regime of the late Nicaraguan dictator, Anastasio Somoza.

The goal is to reduce the power and lower the profile of the rebels' military leaders, who generally had closer ties to the Somoza dictatorship than did the rebels' political leaders.

According to administration officials, the rebel document will call for the formation of a united oppo-

sition committed to democratic principles and the rejection of a military government. It will guarantee human rights, political pluralism, free elections, civilian control of the armed forces and a program for national reconciliation and reconstruction, they said.

"We declare," the document states, "that the cause of democracy in Nicaragua is as vital in Nicaragua as for all free countries and particularly for Central America."

Bosco Matamoros, the rebel spokesman in Washington, came close to confirming the preparation of a code of conduct. The rebels' principles "are the same as before," he said, "but as the situation changes, a new mechanism is needed to implement them."

But Edgar Chamorro, who has opposed the Nicaraguan government but was dismissed as a civilian director of the Nicaraguan Democratic Force in November for

publicly criticizing the rebels, said that the expected changes were "not enough."

"It will not help much because people will see it as better wrapping of the same group," he said. "This is not the same as saying we should seek a political solution through negotiations."

Reagan administration officials said the code of conduct would be issued not just by the Nicaraguan Democratic Force, which is the rebel group with the closest previous ties to the Somoza regime, but they would not specify the other expect- ed signers.

Enrique Bermudez, former National Guard officer, is the military commander of the Nicaraguan Democratic Force, the largest rebel group, which is based in Honduras. Adolfo Calero is the president of the group's six-man political direc- torate.

The two other major rebel groups are the Democratic Revolutionary Alliance, based in Costa Rica, and members of the Misquito and Rama Indian tribes in eastern Nicaragua.

■ Reagan Denies War Plan

President Ronald Reagan, lobbying the House of Representatives to resume aid to the anti-government rebels in Nicaragua, asserted Saturday in Washington that the United States does not have any plans to go to war in Central America, the Los Angeles Times reported.

The Senate voted Thursday to approve a package of \$38 million in nonmilitary aid for rebels fighting the Sandinist government in Managua. Urging the House to adopt a similar proposal to provide \$27 million, Mr. Reagan, in his weekly radio address, noted that some House members also "claim that the United States plans to become militarily involved in Central America."

It said voters, by rejecting the initiative, recognized a woman's right to choose whether to have an abortion.

The anti-abortion movement has argued that 95 percent of an estimated 15,000 abortions performed annually in Switzerland are done for nonmedical reasons.

The proposed amendment had collected a record 227,000 signatures, well over the 100,000 required to force a referendum under Switzerland's system of direct democracy.

The proposal was backed by the Swiss Conference of Bishops, which usually does not take sides in referendum campaigns, and opposed by Switzerland's main Protestant body, the Evangelical Church League.

The measure, written by a group of mainly Roman Catholic and conservative citizens, would have required federal authorities to ensure legislative protection of the "right to life."

Under Swiss law in effect since 1942, abortions are legal to avert "grave damage" to a pregnant woman's health. Over time, the practice has become more liberal.

A group calling itself the "Swiss Action Committee against the Right-to-Life Initiative" said the defeat was an indication that Swiss citizens were not prepared to "move backwards" on the issue of abortion.

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The measure, written by a group of mainly Roman Catholic and conservative citizens, would have required federal

AMERICAN TOPICS

Past and Present
Clash in Houston

Four years ago Kathy Whitmire was elected mayor of Houston, defeating the incumbent, Louie Welch, who during his 10 years in office had been criticized for failing to provide adequately for the city's explosive growth — refusing to raise sewer fees, for example, leaving the sewer system woefully inadequate.

Mrs. Whitmire, 36, has been criticized, in turn, for failing to bring new businesses to the city at a time of economic retrenchment. She says she intends to run for a third two-year term in the November election. The New York Times reports that her announced opponent is Mr. Welch, 56, her predecessor, and head of the city's chamber of commerce.

Short Takes

A drive to ratify a constitutional amendment that would have given Washington, D.C., full congressional representation with two U.S. senators and one representative has failed. The seven-year deadline passed with only 16 of the necessary 38 states assenting. Now backers are pushing to make the District of Columbia the 51st state, to be called New Columbia. This requires only a simple majority vote of Congress. But it is subject to presidential veto, and President Ronald Reagan is against it.

The *Nauvoo* was launched in 1954 as the world's first nuclear-powered submarine. In 1958 it became the first vessel to sail beneath the Arctic ice cap over the North Pole. Decommissioned in 1980, it is en route under tow from Mare Island, California, to its final destination as a naval museum exhibit in Groton, Connecticut. It is to arrive July 6.

The state of "Massachusetts" no longer exists, according to Governor Michael S. Dukakis of Massachusetts. In fact, the governor boasts, the tax burden in the state has fallen below the national average. He said he plans to keep it that way with a temporary tax cut this year and opposition to what he considers excessive increases proposed for teachers' salaries and welfare payments.

Shorter Takes: Salt Lake City has joined the list of U.S. metropolitan areas with a population

Fight Debt First, Latin American Officials Tell U.S.

By John M. Goshko
Washington Post Service

WASHINGTON — Many Latin American leaders and diplomats say they believe that the Reagan administration's preoccupation with El Salvador and Nicaragua could hinder the cause of democracy in the region's largest and richest countries.

These leaders say that current U.S. policy, focused on thwarting what the administration sees as the threat of Communist-backed subversion in Central America and the Caribbean, is a classic example of what one diplomat calls "the United States chasing the wrong bounding ball" in setting its Latin American priorities.

According to this view, the future political and economic direction of Latin America will be determined not in Central America but in large countries such as Argentina and Mexico — countries that have the size, resources and influence needed to make a major impact on the region, and perhaps ultimately to play an increasing role on the world stage.

That point is made insistently by a cross section of Latin American politicians, bureaucrats and diplomats. It is echoed in the United States by academic experts on Latin America and by representatives of U.S. banks and businesses whose interests depend increasingly on Latin America's economic health.

But before the larger countries can provide real leadership for an emerging Latin America, they must grapple with formidable domestic problems that threaten to overwhelm the fragile trend toward democracy in the region now.

Domestic problems differ from one country to another, but almost all are rooted in the region's staggering burden of debt. Last year Latin America was forced to export \$27.6 billion of its sparse financial resources in payments to foreign banks.

Governments facing debt see that problem as a far greater threat to inter-American and global security than leftist revolutionaries in Central America. Those who have pleaded for U.S. help, however, see the response as sparse, sporadic and overly reliant on the austerity policies of the International Monetary Fund.

The Latin Americans do credit Washington with reacting swiftly to financial emergencies in their countries. But Lucio García del Solar, the Argentine ambassador to the United States, warned that if the overall problem is not alleviated, presidents of the pivotal democratic countries "will be unable to counter the political consequences of debt."

"They will be vulnerable to surges of populism pushing them toward the extreme right or left."

Mr. García del Solar said, "In some countries, it could mean a return to military dictatorship."

Economic problems could encourage leftist terrorism and draw governments into the conflict between East and West, he added. In Andean countries such as Colombia, Peru and Bolivia, the ambas-

sies that theory concludes, a strong

democratic Mexico or Venezuela

would be much more effective than military dictatorship."

Chile, where a tough military

dictatorship is able to ignore public

pressure, has taken the steps man-

dated by the IMF to overcome its

debt of almost \$20 billion, but its

economy continues to worsen be-

cause of depressed copper prices.

Peru, with a \$14-billion debt,

faces such serious economic and

political problems that bankers are

beginning to question whether it

can ever recover. Alan García Pérez, who took office as president of Peru on July 28, has threatened to bypass the IMF and seek

joint action by the Latin American

debtor countries to force a confron-

tation with their U.S. creditors.

Brazil, the world's largest debtor

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sure have forced them out of com-

talks of the West's seven major in-

dustrial powers last month.

While comprehensive relief ap-

pears unlikely, the Latin Ameri-

cans argue that it is vital that the

United States help them with more

limited steps. Those include greater

access to the U.S. market for their

exports; exploration of ways to

subsidize the enormous interest on

their debt; and efforts to persuade

the World Bank to issue guarantees

for borrowing from commercial

banks, and to loan more money to

countries seeking to make major

changes in the structure of their

economies.

"Otherwise," said Abraham F.

Lowenthal, professor of interna-

tional relations at the University of

Southern California, "whatever his

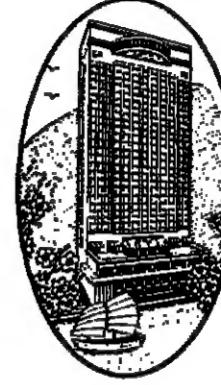
intentions and his efforts, Ronald

Reagan could go down in history as

the president who lost Latin Amer-

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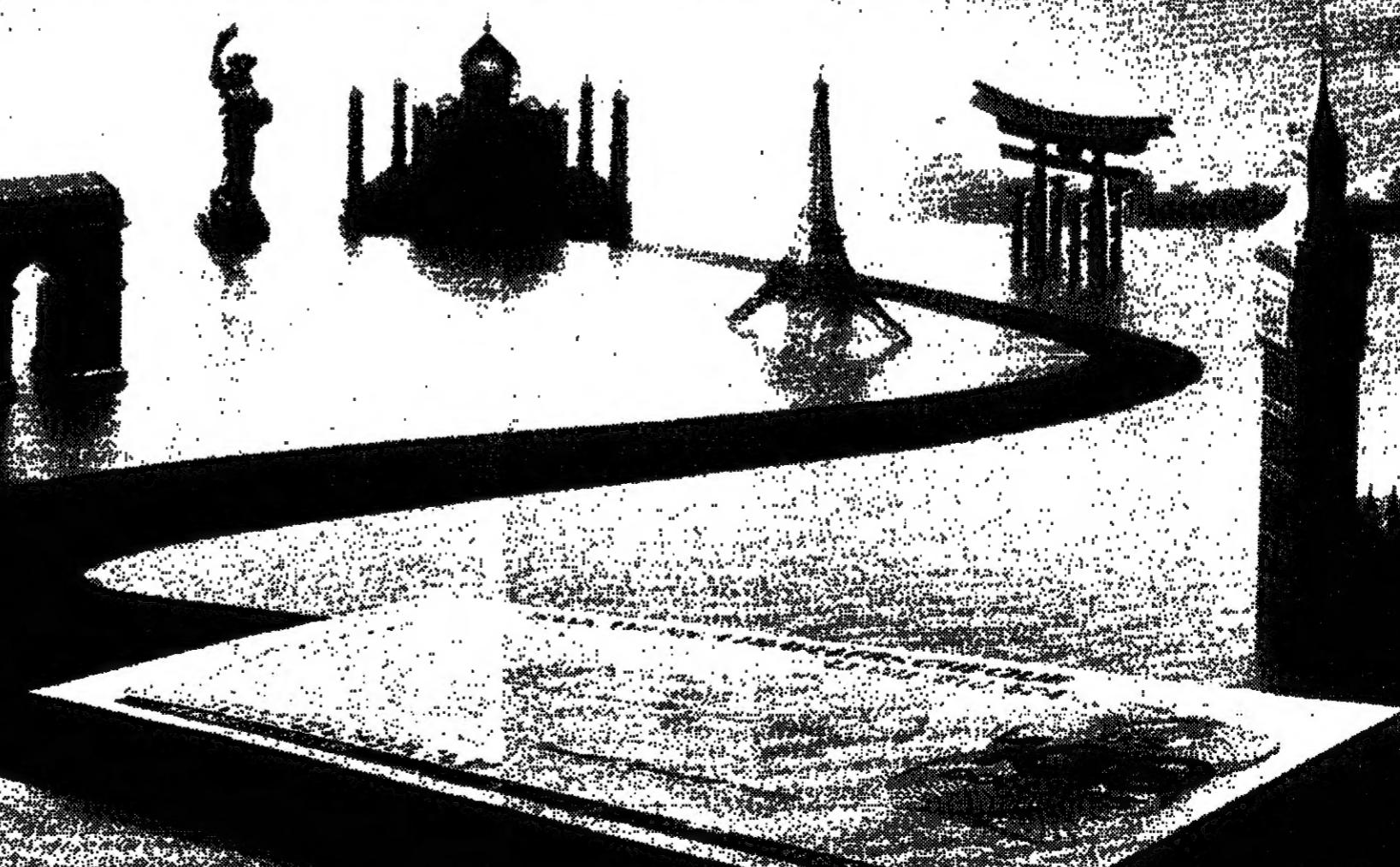
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Woman Says She Sheltered Mengele in Brazil Home

By Richard House
Washington Post Service

SAO PAULO — Dr. Josef Mengele, the Nazi war criminal, hid in Brazil from 1961 until his death in 1979 and so could not have spent more than two years in Paraguay, according to new testimony by one of the couples who claim to have sheltered him here.

Brazilian federal police released Saturday the transcript of testimony given Friday night by Gitta Stammer, 65, a woman of Hungarian descent who said she and her husband sheltered Dr. Mengele on three small farms in the São Paulo area, before passing him on to an Austrian couple, Wolfgang and Liselotte Bossert.

The Austrians are the principal witnesses to Dr. Mengele's presence supposed in Brazil and death in 1979.

The testimony conflicts with much of the postwar history of Dr. Mengele's activities compiled by Nazi hunters.

Mrs. Stammer's account corroborates some details provided earlier by the Bosserts.

Dr. Mengele was known as the "Angel of Death" at the Auschwitz concentration camp in Poland because he would decide which prisoners were sent to the gas chamber and which would be kept alive for

his gruesome medical experiments. He is reported to have sent hundreds of thousands of prisoners to their deaths.

The search for Dr. Mengele took on fresh impetus with the May 31 discovery by West German police of letters leading to a grave exhumation Thursday containing remains that Brazilian police believe may be those of Dr. Mengele.

Mrs. Stammer's testimony led São Paulo's federal police chief, Romeo Tuma, to say Saturday that "the evidence is too convincing" that Dr. Mengele lived in Brazil.

Mrs. Stammer testified Friday that in 1961 the couple was introduced to a Swiss citizen known as Peter Hochbichler, who went to work for them without pay on their farm. By 1962, the man had re-

vealed his identity as that of Dr. Mengele.

He was introduced to them by Wolfgang Gerhard, the Austrian whose identity she said Dr. Mengele later took over, and who allegedly threatened them to remain silent.

She said that Dr. Mengele, whom she called an authoritarian and irascible farm manager who bullied employees and interfered in their family life, made three successive moves with them to small farms close to São Paulo. She said relations with him deteriorated steadily. During this time, he scarcely left the property.

When the Stammers threatened to eject him, they received two conciliatory visits from a man called Hans, who she said came from the

Mengele farm equipment factory in West Germany.

She told police that Hans regularly brought large supplies of dollars, but she did not testify if this man was Hans Sedlmeier, the former Mengele company employee in Günzburg, from whose home police found addresses that led them to Brazil.

Mrs. Stammer said that in 1969, the man who identified himself as Dr. Mengele first brought Wolfgang Bossert to the farm, and thereafter Mr. Bossert, who worked at a nearby factory, would visit regularly and take Dr. Mengele to stay for the night at his house.

In February 1975, the Stammers, who owned a house at Estrada do Alvarado, where Dr. Mengele was to be housed, passed him on to the Bosserts. Later, the Bosserts also became owners of the house, and the Stammers rarely saw him again.

Mrs. Stammer said that, after he was confronted with published photographs and his identity uncovered, Dr. Mengele revealed that he had been at Auschwitz, where he had caught typhoid. He avoided talking about the war.

Mrs. Stammer said that one of the man's few pleasures was listening to Mozart and that he was an intelligent and cultivated.

She said that Dr. Mengele told

her that soon after World War II he had fled to Italy and then, on a French ship, to Buenos Aires. Afterward he lived near Asunción, Paraguay, and came to Brazil around 1961. He also had spent a short time in Uruguay but never lived there.

She said he had contracted a tropical disease in Paraguay that caused cramps and swelling of one leg. He also had rheumatism and suffered from headaches.

Mrs. Stammer confirmed the account of Dr. Mengele's death by drowning Feb. 7, 1979, at Bertioga.

She identified Dr. Mengele both from portrait photographs taken by Mr. Bossert and from false identity documents in the name of Wolfgang Gerhard.

The testimony led Mr. Tuma, the police chief, to say that he was now certain that Dr. Mengele had lived for years in São Paulo.

Experts from the Medical Legal Institute are expected to take until the end of the month to complete forensic tests. They have turned down offers of help from the United States, West Germany and Israel. Officials of these governments will be allowed only to observe the process.

■ Wiesenthal Changes Mind

Simon Wiesenthal, the Nazi hunter and concentration camp survivor, said Friday night in New York that he was now inclined to believe that the body exhumed in Brazil was that of Dr. Mengele, Reuter's reported.

Mr. Wiesenthal said that a link with one of the members of the Mengele family factory in West Germany had caused him to change his mind. Also, he said, "I have not known that the Germans had asked the Brazilian government to look into this case."

On Saturday, the West German prosecutor handling the case said there was now "a certain probability" that Dr. Mengele had lived and perhaps died in São Paulo, but that he was awaiting the results of investigations and tests, The New York Times reported in New York.

The official, Hans-Eberhard Klein, said in a telephone interview that establishing Dr. Mengele's presence in São Paulo and his death there were two separate issues. He said that evidence so far seemed to show that Dr. Mengele had lived there, but that it was too early to verify accounts that he had drowned and been buried at a nearby cemetery.

The study released Friday by the Bureau of Labor Statistics showed what experts said was a restructuring of the job market. Since January 1980, the report said, 2.3 million manufacturing jobs have disappeared. In the same period, the department has said, jobs that supply services rather than products have boomed.

The study was requested by members of Congress concerned about a lack of data on the cost in manufacturing jobs from the shift toward services, a shift that has been documented since the economic recovery of the early 1980s.

"There is a clear restructuring going on in this country," she said.

The study said that 35 states and the District of Columbia had not recovered the manufacturing jobs lost in the 1980-82 recession.

"High-tech industries are generally doing well," Mrs. Norwood said, but they are only "a small proportion in terms of the workers who are involved."

She noted that "the health of individual industries" could not be assessed solely from employment data.

"It's clear," she said, "that the data that we have been discussing show that the economy is developing along two paths. One path, the service-producing one, is growing and growing fast. And there are lots of jobs."

"The other path, she said, 'is the goods-producing sector,' which has been in trouble for a long time."

Employment experts say the movement of large numbers of jobs and workers from manufacturing to services indicates profound economic changes where jobs might never return.

"Probably 90 percent of those jobs will never come back — they're gone for good," said Jay N. Woodworth, a senior economist for the Bankers Trust Co. in New York City.

Mr. Woodworth said the Labor Department figures showed that "we're making a transition as a country into the wildly fantasized post-industrial society."

"Of course, for workers, for some companies and the communities where there has been an instantaneous loss of some of these jobs, it's a traumatic experience," he said. "But more times than not, almost everybody comes out a net winner, as people make the transition to higher levels of job skills."



ISLAND-HOPPING — One of the longest suspension bridges in the world opened Saturday between the Japanese islands of Shikoku and Awaji. The Onaruto Bridge, which took nine years to build and cost \$400 million, is 1,770 yards long. By comparison, the Golden Gate Bridge in San Francisco is 1,392 yards long.

Judges Cut Repayment For Meese Attorneys

By Howard Kurtz
Washington Post Service

WASHINGTON — A panel of three federal judges has awarded \$472,190 to Attorney General Edwin Meese 3d for legal fees he incurred while investigating by a special prosecutor. His lawyers had requested \$720,824.

The judges, from the U.S. Court of Appeals for the District of Columbia, said Friday that Mr. Meese's lawyers could not be reimbursed for, among other things, the time they spent dealing with the media. The principal attorneys, Leonard Garment and F. Bob Wallach, have estimated that they spent 10 to 15 percent of their time responding to allegations against Mr. Meese in the press.

Under the Ethics in Government Act, a federal official who comes under such an investigation but is cleared later is entitled to petition the government for reimbursement of expenses.

The prosecutor, Jacob A. Stein, concluded last September that no basis existed for prosecuting Mr. Meese for a variety of allegations. These included charges that he had failed to properly disclose a \$15,000 interest-free loan to his wife, Ursula, from a family friend and that he had played a role in obtaining federal jobs for persons who had assisted him financially.

Mr. Garment issued a one-sentence statement calling the court decision "thoughtful and fair." The appellate panel ruled that his Washington law firm, Dickstein, Shapiro & Moran, would receive \$375,515 in fees and \$45,034 in expenses. The firm had asked for \$333,327 in fees and \$45,034 in expenses.

The judges awarded \$76,870 in legal fees to Mr. Wallach, a little more than half the \$142,362 that the San Francisco lawyer had requested. In a reference to Mr. Wallach, the judicial panel cited "the failure of one counsel to keep contemporaneous records of time spent."

2.3 Million U.S. Jobs Lost in Manufacturing

By Kenneth B. Noble
New York Times Service

This trend has profound importance to U.S. workers, said Janet L. Norwood, commissioner of labor statistics, reporting on the study Friday before the Joint Economic Committee of Congress.

"There is a clear restructuring going on in this country," she said.

The study said that 35 states and the District of Columbia had not recovered the manufacturing jobs lost in the 1980-82 recession.

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Sorkin, 69, A Violinist, Dies in U.S.

United Press International

MILWAUKEE — Leonard Sorkin, 69, a classical violinist, died Friday of cancer.

Mr. Sorkin was a founder of the Fine Arts Quartet, director of the University of Wisconsin-Milwaukee Institute of Chamber Music and conductor of the Institute's orchestra.

He was born in Chicago on Jan. 12, 1916. Mr. Sorkin studied with Mischa Mischakoff and joined the Chicago Symphony at age 18 and remained with it until 1943.

In 1946, he and George Sopkin, the principal cellist with the ABC Symphony, founded the Fine Arts quartet. Mr. Sorkin was professor of violin and artist-in-residence at the University of Wisconsin-Milwaukee from 1963 until his death.

Vladimir Jankelevitch, 81, Philosopher and Professor

PARIS (AP) — Vladimir Jankelevitch, 81, philosopher student of Henri Bergson, defender of human rights and professor at the Sorbonne, died Thursday. His family announced.

He was born Aug. 31, 1903, in Bourges, the son of Russian Jews who had immigrated to France.

Mr. Jankelevitch was above all suspicious of all formal systems of thought — Marxism, existentialism, structuralism — and was skeptical about man's ability to find the truth.

■ Other Deaths:

Masatsugu Kawaguchi, 85, one of Japan's most popular novelists, of pneumonia in Tokyo on Sunday.

Joseph Walding, 58, New Zealand's high commissioner, or ambassador to Britain, Tuesday after collapsing in London after collapsing.

Mark Hamsik, 60, a former Long Beach-area Democratic congressman from California who sponsored energy legislation during the oil crises of the 1970s, of lung cancer in Lakewood, California.

Major General William W. Davies, 85, a retired U.S. Marine Corps officer who was credited with developing amphibious assault tactics and equipment used against the Japanese during World War II, June 1 in San Diego.

Max Ways, 79, a former editor at Time and Fortune magazines, Tuesday in New York of a heart attack.

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Italian Vote Seen As Important Test

By E.J. Dionne Jr.
New York Times Service

ROME — By some accounts, it is little more than a trivial issue, involving the equivalent of 50 cents a day for the average worker.

But the referendum Sunday and Monday on Italy's system of wage indexing has become a major political test for the government and for the Communist opposition, led by Alessandro Natta, the party's secretary. Prime Minister Bettino Craxi went so far as to announce that he would resign in "one minute" if his side lost.

The fight is over the Craxi government's policy to cut back on automatic wage increases that Italian workers get under what is known as the *scala mobile*, or "moving staircase."

Voters are being asked to vote "yes" or "no" on a Communist proposal to restore four points cut from the scale by the Socialist-led and Christian Democratic-dominated government.

In effect, workers are being asked to vote themselves a pay raise, something the Communists once thought would be an offer the voters could not refuse. For the Communists, it is a matter of social justice and preventing the fight against inflation from being an excessive burden on the average worker.

For Mr. Craxi and his five-party coalition, however, a victory for the Communist proposal would overturn what they contend is a successful economic policy. Cutting back on the automatic wage increases has helped trim inflation to 9 per-

cent from 12 percent. In addition, foreign investment is up, and despite some recent pessimistic figures, Italy's economy has been growing at a relatively healthy rate over the past year.

The sums involved in the voting can look either trivial or large, depending on how they are calculated.

For the average Italian worker, the amount in question is about 27,000 lire (nearly \$14) a month. Enough to buy a cup of coffee a day, commented the Rome daily newspaper *Il Messaggero*.

But the General Confederation of Italian Industry, the employers' association known as Confindustria, contends that a vote to restore the amount would increase overall annual labor costs by about \$4 billion.

The employers would like, if anything, to cut back even further on the wage escalator. Thus they helped scuttle a compromise that Gianni De Michelis, the minister of labor, tried to arrange to avoid the referendum entirely.

Like Mr. Craxi, Mr. De Michelis is a Socialist, and the fight over the Communists' proposal has become more of a political battle than an economic one.

Mr. Craxi's government will be in power two years in August, and he is one of Italy's longest-serving postwar prime ministers. His government straddles the center of the political spectrum, including the long-dominant Christian Democrats, the largest party in the coalition, his own Socialists, the Social Democrats, the Liberals and the Republicans.



Alessandro Natta

The hope was based on the Communists' showing in the elections for the European Parliament last year, when they became, briefly, Italy's most popular party, overtaking the Christian Democrats.

But the strategy failed in its first real test last month, when the Communists lost ground in nationwide local elections. The Christian Democrats came in first again, getting 35 percent of the vote to the Communists' 30 percent. The Socialists gained, as did the Republicans, all adding up to a solid 58-percent majority for the five-party coalition.

The Communists now hope for a referendum victory, but the government parties have been campaigning as a solid bloc for a "no" vote, and appear confident that their majority will hold up again.

Among Judge Santapichi's con-

Agca's Antics: Pressure on Judge and Legal System

By Michael Dobbs
Washington Post Service

ROME — There were times Friday, during the most dramatic session yet in the two-week-old conspiracy trial in the 1981 attack on Pope John Paul II, when it seemed as if Mehmet Ali Agca, the pope's assailant, was playing with the judges like a cat with a mouse.

Tantalizing details about his past career as a terrorist were interlaced with seemingly insane rantings about being Jesus Christ and sweeping charges that his life was threatened by the Soviet and Bulgarian secret services.

Mr. Agca's erratic behavior has created enormous legal and moral problems for Judge Severino Santapichi, one of Italy's most respected judges, who is ultimately responsible for deciding whether there was a "Bulgarian connection" in the attack on the pope.

In effect, the Italian state's case against three accused Bulgarians rests on the pretrial testimony of a self-acknowledged perjurer who is now refusing to cooperate with the court.

Throughout the session, Mr. Agca refused to give any evidence about the three Bulgarian officials whom he has named as his accomplices in the plot to shoot the pope.

Apart from Mr. Agca, no witness has been found to confirm any of the numerous meetings that are alleged to have taken place in Italy and in Bulgaria between the Turkish gunman and the three Bulgarian officials on trial in Rome.

Nor has there been any trace of the \$1.2 million that Mr. Agca says he and his Turkish accomplices were paid by Bulgaria to kill the pope.

Among Judge Santapichi's con-

cerns are the damage that could be done to the reputation of the Italian justice system if the state's case collapses. The three-year investigation into Mr. Agca's claims of Soviet bloc involvement attracted intense media attention around the world.

Under the Italian legal system, a judge has broad powers. In addition to acting as an impartial arbiter, he conducts the interrogations of defendants and witnesses and plays a dominant role in the jury's consideration of a verdict.

It is now up to Judge Santapichi to decide how to deal with Mr. Agca when the trial resumes Tuesday. He outlined one possible approach Friday when he asked the papal assailant if he were prepared to answer questions about three Turkish rightists who are also defendants in the case: Oral Celik, the respected Turin daily, described Mr. Agca as "a person without scruples" who was trying to "ridicule the justice system of our country in the eyes of the entire world."

In reply, Mr. Agca said he would have to consult his lawyer.

Complicating the judge's task is that Mr. Agca is legally a co-defendant and not a witness. This status allows him to conduct his defense as he wishes and puts him

under no obligation to give testimony. Originally convicted in July 1981 of attempting to murder the pope, Mr. Agca is now being tried for the lesser charge of smuggling a weapon into Italy.

Italian legal experts believe that the trial could continue even without the cooperation of Mr. Agca, with the court interrogating its list of more than 100 witnesses.

The case against the Turkish accused is less dependent on Mr. Agca's testimony than is the case against the Bulgarians because there are independent witnesses to describe the relations between Mr. Agca and the Turks.

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Complicating the judge's task is that Mr. Agca is legally a co-defendant and not a witness. This status allows him to conduct his defense as he wishes and puts him

bility, has been irrevocably jeopardized by the contradictions in his testimony.

On Friday, Prosecutor Antonio Marini insisted that Mr. Agca's pretrial testimony against the Bulgarians could be considered part of the court record.

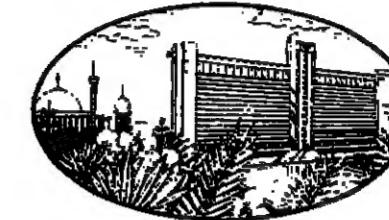
The court's treatment of Mr. Agca was criticized as "extraordinarily tolerant" by a Bulgarian magistrate, Jordan Ormanov, who is an observer at the trial.

Frequently during Friday's session, Mr. Agca glanced around at the defense lawyers and spectators to catch their reaction. He has clearly enjoyed the limelight and occasionally speaks directly to the television cameras rather than to the judges.

Urged by American television crews to, "say something to us in English," Ali, Mr. Agca responded with a ritual, "I am Jesus Christ."

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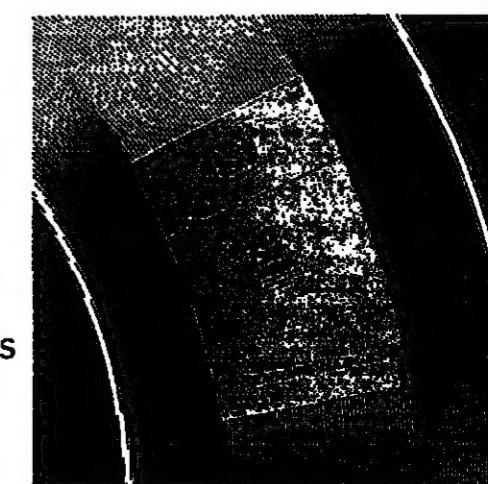
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Americans and Apartheid

The urge to punish South Africa for apartheid is now palpable throughout the United States. Americans want to destroy this abhorrent structure of racism or disown its sponsors claimed kinship with Western culture. Most Americans want to do business with South Africa only to the extent that this can undermine the Afrikaners' hateful doctrines.

It is the job of a president to give voice and shape to such a mood. President Reagan has failed to do so — whether or not he has been betrayed by the Afrikaners he tried to befriend. That makes it not only right but necessary for Congress to fill the void, as it is now doing with admirable discretion.

Two concerns have impeded America's assault on apartheid. One is that strong sanctions might hurt South Africa's blacks more than their oppressors. The other is the administration's view that sanctions would harden the white regime without really hurting it.

Yet the president's alternative of "constructive engagement" has come up empty. The Afrikaners' only concessions are attributable either to the threat of foreign sanctions or to internal economic necessity. And none of the concessions move nearer to granting the black majority a political voice.

As violence spreads, the administration has become the Afrikaners' apologist, exaggerating their concessions and minimizing their brutalities. American policy has not even ended South Africa's illegal occupation of Southwest Africa, or Namibia, which was to have been Mr. Reagan's diplomatic prize for relaxing the pressure imposed in the Carter years.

Americans have therefore been struggling, incoherently, to create their own diplomatics, mostly demanding that state and city governments, universities and pension funds sell off the stocks of companies operating in South Africa. But this has left America's largest corporations confused about the goal: Are they expected to work harder against apartheid in South Africa, as some have tried, or to abandon all profit from such an abhorrent system?

Local politicians and corporate directors are poorly placed to make this critical choice. Given the president's default, it is left to Congress to define a new national policy. The measures before it threaten a gradual withdrawal of business from South Africa, but they also set standards for relief and show due

regard for the welfare of South Africa's blacks.

The threat of disinvestment may be more potent than the fact. The 300 American companies in South Africa can perhaps advance the careers of their 70,000 black employees. And though blacks generally share inadequately in South African prosperity, economic growth tends to enlarge the whites' dependence on them. But if forced to leave, American companies would be mostly replaced by investors from other countries, who are likely to be indifferent to apartheid.

American disinvestment, in sum, would not greatly damage South Africa's economy. That insight gave rise in 1977 to the Sullivan principles, a code of obligations to blacks by which 200 American companies justify staying there. But even the Reverend Leon Sullivan, the code's author, now despairs of the pace of change. He favors a law to make the code mandatory, with a total embargo to follow in two years if apartheid still stands.

Congress is moving slowly in the same direction. The House of Representatives has voted to ban new loans and new investments, but would let existing investments stand. It would also prohibit importing gold coins from South Africa and exporting computers to its government. It would delay these sanctions if specified apartheid measures were repealed. The Senate Foreign Relations Committee proposes enacting the Sullivan code plus lesser sanctions, combined with a warning of a ban on new investment in 18 months.

That such sanctions may not have great economic impact does not make them worthless. On the contrary, they would deliver psychological and moral blows against the Afrikaners without great damage to the economy on which blacks too, depend. As the Afrikaners show with their energetic lobbying against sanctions, what they dread most is ostracism from the community of Western nations.

The indicated House-Senate compromise on sanctions would serve notice that Americans no longer accept the apologetics and pieties called "constructive engagement." If South Africa's rulers want to regain their standing in the culture led by Americans, they will heed this plea for gradual but real progress. If such earnest yet modest pressure fails to move them, the chances are that nothing ever will.

— THE NEW YORK TIMES.

Keeping a Nation's Secrets

Before World War II, the great object of espionage was war plans: to find out whether or how a prospective enemy intended to attack. During the war, the focus necessarily shifted to codes and orders of battle, matters that could affect the course of the struggle. After the war, the urgency of the question of nuclear war or blackmail produced a new priority: the secrets related to the making and deploying of nuclear weapons. The backwardness of Soviet science gave the Kremlin an extra incentive to pursue this mission, even as the openness of American society gave it an extra opportunity. In fact, the Soviet effort to steal nuclear secrets began when the two countries were wartime allies. The Walker case is the latest evident sign of it.

The nagging question remains: how to keep the secrets. There can be no single set of answers. The beginning of one set, however, is to recognize with whom the United States is dealing: not with highly educated, politicized elite figures of the sort familiar from British fiction and reality, and not with professional master spies of the Rudolph Abel mold, but with, essentially, ordinary servicemen and national security workers. High-technology defense creates a requirement for large numbers of them to write the programs, keep the logs, change the codes. There may be no better way

— THE WASHINGTON POST.

Other Opinion

Pressuring the Sandinists

Many Americans who once doubted the prudence of military aid to the democratic resistance in Nicaragua have since been disgusted by the policies of the Sandinists.

That tide of opinion turned on the Sandinists because they rejected a reasonable offer to talk. Their refusal reinforces the theory that only pressure has led to changes in the policies of the Sandinists. They could, of course, prove that theory wrong and initiate talks without seeming to be forced into them. That is what many would have them do. However, this stalemate is no excuse for avoiding the challenge of making peace. President Reagan has accepted the challenge. He has asked Congress to give him the flexibility that can lead to a negotiated peace in Nicaragua. As he has said:

FROM OUR JUNE 10 PAGES, 75 AND 50 YEARS AGO

1910: Is Diaz Buying U.S. Influence? WASHINGTON — Appearing before a committee of the House of Representatives are two authors of works on Mexico who have brought serious charges against President Porfirio Diaz and a number of American concessionaires. Mr. J.K. Turner charges President Diaz with granting concessions in Mexico to the value of \$900,000,000 to American financiers in return for their influence at Washington for the purpose of keeping him in power. Señor Guíereza de Lara, a Mexican author, supports this. The two authors declare that they have proof that President Diaz has greatly abused his position by persecuting his political enemies. The House committee is considering the creation of a committee to probe the scandal.

1935: Greek Voters Snub Royalists

ATHENS — First returns in the elections in Greece [on June 6] for the choice of members of the National Assembly to revise the Constitution indicate that the Royalists have sustained a serious check. The vote in Athens and other cities indicates that abstentions were numerous and this, with the poor showing of the list headed by General John Metaxas, partisans of a restoration, is taken to indicate that Greek opinion is much divided on the question of a change of régime. With the Republican parties abstaining, the struggle was between the Popular Party, led by Premier Panayotis Tsaldaris and General George Kondylis, the war minister, on the one hand, and the Royalist Union of Metaxas, on the other.

Nicaragua 'Backs Into' Its Neighbors

By Richard Cohen

WASHINGTON — In the old joke, a Catholic priest is driving along when he smashes into the car in front of him. A stereotypical Irish cop comes along, looks at the damage and says to the priest, "Father, how fast was he going when he backed into you?"

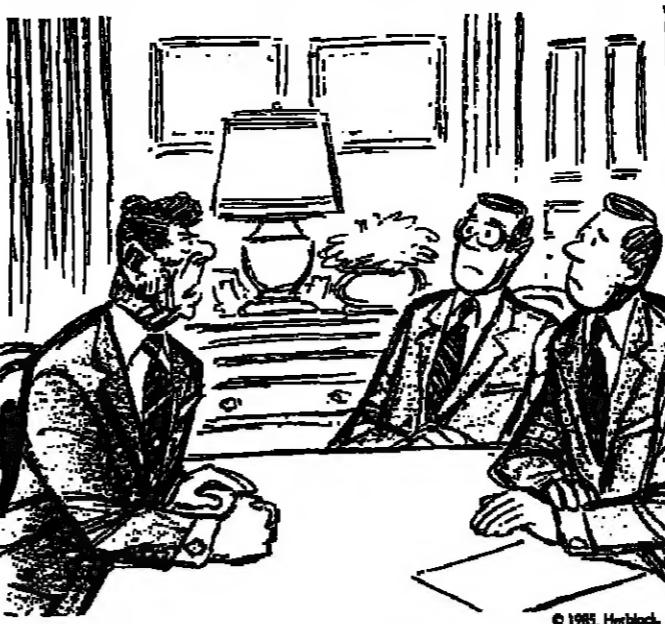
From the White House comes a bellicose condemnation of Nicaragua for what amounts to "backing into" both Honduras and Costa Rica. Larry Speakes, his master's voice, went into his moral outrage mode after Sandinist troops reportedly crossed into both countries.

"The United States," he said, "strongly condemns these actions and calls upon the government of Nicaragua to halt immediately any further action against its neighbors."

Mr. Speakes did not mention that for some years Honduras has been used as a staging area for the "contras," who have repeatedly entered Nicaragua, killed troops and civilians, blown up installations and created as much mayhem as possible — and then retreated to their haven in Honduras. It was only a matter of time until the Nicaraguans would go into Honduras. This is what former Secretary of State Alexander Haig used to call "going to the source."

Costa Rica, too, has sheltered Sandinist rebels. The country has been used as the prime base for guerrillas under Eden Pastora, the former Commander Zero, whose ties to the CIA are more tenuous than those of the Honduras-based contras. What is not clear is whether the government of Costa Rica, a democracy with no regular army, can control guerrillas operating within its borders.

In legal terms, what is going on is entrapment. The Reagan administration supports contras who use Costa



I want more democracy in Nicaragua and I don't want the opinions of those darn representatives in Congress.

Rica and Honduras to stage raids into Nicaragua, and then it cries foul when the Sandinists give chase. This is precisely what the United States did when Mexicans such as Pancho Villa had the effrontery to raid Texas border settlements. President Woodrow Wilson sent General John Pershing into Mexico.

Nicaragua's Sandinist leadership

seems convinced that there is nothing it can do short of suicide to please the Reagan administration and so it ought to just do what it wants to protect its own country. It seems equally convinced that the United States with its own troops will someday invade Nicaragua. A Reagan administration military buildup in Central America — seven airfields in Honduras alone — has left the United States as ready as it will ever be to launch an invasion and, within certain limits, to ensure its success.

The Sandinist reading of the situation may or may not be accurate. In Washington no one seems sure.

House Speaker Thomas F. O'Neill is on record as saying that Ronald Reagan is determined to invade. Others say Mr. Reagan is playing a huge bluff; that he is making the Sandinists nervous, increasing pressure on them, causing internal discontent and — atypically for a U.S. president — taking the long view and playing things out slowly. In time, with a little help from its enemies, the Sandinists regime will collapse.

Maybe. But history teaches that events have a way of getting out of control. If so, the Washington debate about the president's intentions may be moot. Already the United States has reaffirmed its Rio Pact commitment to Honduras and assured that the country would be defended by the United States if attacked. Washington has so rattled the cage of the Sandinist leaders that they may conclude that if they are going to go eventually, they might as well go on their own terms. To exult in a tendency to "escalate."

Washington Post Writers Group.

Aid to the 'Contras': A CIA War Will Fail

By McGeorge Bundy

NEW YORK — President Reagan has won the Senate's support for a renewal of "nonmilitary aid" through the Central Intelligence Agency to the Nicaraguan "contras." No one should be deceived by the word "nonmilitary." If the House should agree, this money will be used to pay for everything short of weapons and bullets, and the rest of the needed funds will be sought in other places. It would be embarrassing to explore. The Senate has voted for continued war by the CIA against the Nicaraguan government. The House should reverse this vote, on the simple and fundamental ground that this "covert" operation will not work.

I speak as someone with direct exposure to the ineffectiveness of covert operations. For five years in the Kennedy and Johnson administrations, I was chairman of the committee of the executive branch charged with approving or disapproving them. In 1961, I listened with a beginner's credulity to the arguments of the eager operatives who promoted what became the Bay of Pigs, and I did not know enough to ask the other side of the CIA — the "estimons" — for their judgment. Through the next two years and more, I watched with increasing skepticism as the Kennedy administration kept the pressure on the CIA for more and better — if smaller — covert operations.

I think that eventually I played a small part — his own lesson from experience was much more important — in President Kennedy's growing recognition that covert action simply did not work and caused more trouble than it was worth. It is just plain wrong for President Reagan to repeat, as he has repeatedly, that President Kennedy's opposition to Cuban adventurism, which was indeed strong, would translate today into support for covert operations.

The dismal historical record of co-

Mixed Signs for an Improvement of U.S.-Indian Ties

By Narendra Singh

L AUSANNE, Switzerland — When Prime Minister Jawaharlal Nehru first visited Washington in 1949, great expectations were raised in American economic and political circles for close ties. Had not Roosevelt urged Churchill to accept Indian demands for freedom? When Mr. Nehru reacted rather coolly, the Truman administration's attitude toward India stiffened. Hopes were raised when John F. Kennedy invited Mr. Nehru. Disappointment and a certain estrangement followed their 1961 summit.

But Prime Minister Indira Gandhi's meetings with Richard Nixon and later Ronald Reagan raised few expectations, and some good can be said to have come from them. Henry Kissinger has recorded how disagreeable Mr. Nixon found her. He also recorded his impression that the lady was not one to be browbeaten by the Russians.

Prime Minister Rajiv Gandhi represents a different generation of Indians. They are more confident and more pragmatic. They have been trying to breathe fresh air into the Indian political scene. Change has also come in Washington: A lot of water has flowed down the Potomac since the Kennedy years.

Here are some points that seem to me to favor improved U.S.-Indian relations today — and other points that augur less well.

• India is now less dependent on U.S. economic aid and totally independent of food aid. Complexes generated by the donor-recipient relationship are less evident.

• There is now less suspicion in the United States that India's economic policy could one day take that large country into the Communist camp. The shift since the 1970s in Indian economic thinking — toward greater participation of the private sector and more liberalism — is gaining momentum under the new government and may become irreversible. Leaders and administrators who came under the spell of Fabianism in the 1920s and '30s have well nigh disappeared. The deepening of the democratic process has increased the influence of the masses

on policy. Voters want results tomorrow, not at some distant date set by ideologies.

• There is perhaps less touchiness on the Indian side in dealing with the Americans. This has come with the disappearance of Indian leaders and administrators educated in Britain before the war. Those Indians had imbued the fashionable English prejudices of the time against the Americans, without understanding that these stemmed partly from jealousy.

• With the breakaway of Bangladesh from Pakistan, the latter became too small to be equated with India. An American effort to balance

India with Pakistan was the original cause of Indian alienation from the United States. The Reagan administration's greater prudence in dealing with China has not gone unnoticed.

• India's performance in the economic and political fields — in spite of continuing grave problems — has been better than was expected in the United States a quarter century ago. Present-day India's growing capacity and confidence make it a far more worthwhile partner.

Working against closer ties are these factors:

• The United States will have to convince Mr. Gandhi that it is willing to cooperate to curb the activities of Sikh extremists who operate from the United States. The Indian public is more concerned about this issue at the moment than almost any other.

• Misunderstandings can arise from very economic reforms that have been applauded in the United States. India is bound to move ca-

tiously in carrying out any major shifts because these must be based on a wide consensus. American businessmen may be disappointed if they find that India is unwilling to open the door to foreign goods and capital, except in areas of high technology and export-oriented industries.

• If Mr. Gandhi is entirely to be judged by the amount of pressure he is willing to apply on the Soviet Union over Afghanistan, Indian opinion is bound to feel that President Reagan is not so much interested in bilateral accommodation as in playing the global game. People in India ask why those desiring shifts do not first work to improve India's security environment, which a fair Chinese-Indian border agreement would certainly promote. A stringent U.S. policy to isolate the Soviet Union would pose continuing problems for U.S.-Indian relations.

• Then there is danger from renewed U.S. entanglement with Pakistan. The supply of long-range sophisticated aircraft and radar systems to Pakistan, at a time when it is thought to be making every effort to produce a nuclear bomb, causes suspicion of U.S. policy. Indians are unable to accept the argument that these arms are nothing but morale boosters or payoffs for a Pakistani regime willing to lend a hand in the Zia ul-Haq's anti-Soviet campaign. President Mohammed Zia ul-Haq is not going to drop bombs on Kabul or Moscow, people in India say.

So the United States may prefer to play a waiting game before deciding truly to cooperate with the new Indian prime minister.

After Mr. Gandhi became prime minister last year, an East European diplomat remarked that it is a curious world in which large countries are ruled by former actors and airline pilots. But that is what democracy is all about. And the two leaders who will face each other this week both have the strength of immense mandates.

The writer, a former Indian ambassador to France who retired recently, contributed this comment to the International Herald Tribune.

In Lebanon, Might Was Neither Right Nor Smart

By Anthony Lewis

NEW YORK — Three years after Israeli forces entered Lebanon, all but the willfully blind know that the war exacted a terrible price from both invaded and invader. Lebanon paid in destruction, death, intensified communal chaos, Israel paid in heavy military casualties, economic drain, loss of national confidence.

But there is a larger political point to be made about the invasion. It represented an extreme application of the view that military force can impose lasting political solutions in the Israeli-Palestinian conflict. And there one can see important lessons for the current effort to revive the Middle East peace process.

The Israeli invasion was the second attempt to use Lebanon as a military

fulcrum for political ends in the Israeli-Palestinian conflict. The first was made by the Palestine Liberation Organization, with its buildup of weapons and men in southern Lebanon up to the 1982 Israeli invasion.

The PLO buildup never seemed to make sense. If the aim was a capability to engage Israel's forces frontally, it was a defeat. Alternatively, an occasional rocket fire over the border could cause stress in Galilee; but if pursued, that tactic would inevitably bring crushing Israeli retaliation.

The emphasis on military buildup kept attention from what should have mattered to the PLO: politics. The

inevitable fact for Palestinian real-

ists, in the 1970s and 1980s, was that only by coming to terms with the existence of Israel could they hope to have a little piece of earth to call their own. Delusions of military conquest only made a political solution harder.

Then it was Israel's turn to pursue a military illusion in Lebanon. It was the illusion of Ariel Sharon, then the defense minister, who believed he could use a war against the PLO in Lebanon to crush the political hopes of Palestinian nationalism for good.

The story of how Mr. Sharon bullied and deceived his cabinet colleagues so he could have his war has been told. But a new account has come from Samuel W. Lewis, who is

retiring after eight years of service as U.S. ambassador to Israel.

Mr. Lewis said that in December 1981, six months before the invasion, Mr. Sharon described his ambitious war plans to U.S. diplomats — who were "dumbfounded" by the idea and considered it "unthinkable."

The history is highly relevant today because Ariel Sharon is. One might have expected that he would fade from the political scene, but Mr. Sharon has not faded. And the philosophy he expounds, of force as a political solution, is very much alive.

Right now the most important peace effort in years is underway. King Hussein is pressing his plan for negotiations between a Jordanian-Palestinian team and Israel under international auspices. The U.S. secretary of state, George Shultz, is taking an active interest.

But the enterprise faces a fundamental obstacle. Among both Palestinians and Israelis there is deep division between those who think political negotiation can gain national objectives and those who believe force is the only way.

The division of Palestinians between the hard men and those prepared to talk and live with Israel is obvious. There is sharp division in Israel, too — and Israel has the presence and the power to determine whether negotiations ever start.

Mr. Sharon made the issues clear in a comment on the Hussein plan. It was unacceptable, he said, because Israel would not exchange occupied territory

THE BOURES

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Gold Maple Leaf. There is no substitute for purity.

Gold Maple Leaf is available at most banks, savings banks and coin dealers internationally.

Slower U.S. Growth Forces Some Shifts in Strategy

(Continued from Page 7)

before the year's end. Those in the United States think interest rates will continue the gradual descent that began last year, with the yield on long-term bonds dipping below 10 percent from the current 10½ percent.

Consequently, the likelihood of a dramatic fall in the dollar appears slim. Currency experts see it trading in a narrow range of 2.90 to 3.10 Deutsche marks. Masahiro Yamada, who manages international investments for Nippon Life Insurance, Japan's biggest corporation, sees a gradual depreciation, with European currencies benefiting in the short term. But he sees no reason to lower his exposure to the dollar. "The emphasis is still on U.S. dollar investments," he said.

With little headway expected against high real interest rates and with inflation rates at relatively low levels, a number of global money managers have been enlarging their portfolios of fixed-income instruments, especially in light of the fact that slower growth may hurt corporate earnings. Government bonds in the United States, Britain, West Germany and the Netherlands remain the favorites. The European instruments are especially attractive if the dollar weakens in the second half.

"For stocks to do well, bonds must do even better," said Karl Van Horn, chairman of American Express Asset Management in London. Mr. Van Horn is so certain of his convictions that 30 percent of his \$150-million equity portfolio is invested in bonds, primarily U.S. securities.

While the variety of bonds with good potential in the second half may make the selection process easier for investors, the choice of equities proving a lot trickier.

In the minds of many, Japan is emerging as the first casualty of the U.S. slowdown. Scarcely a year ago, the Tokyo Stock Exchange was enjoying unrivaled success and international money managers continued to funnel investment dollars into the blue chips that had led Japan's export growth. Now, there are serious questions about whether trade levels can be sustained. The growing protectionist mood in Washington adds to the concern.

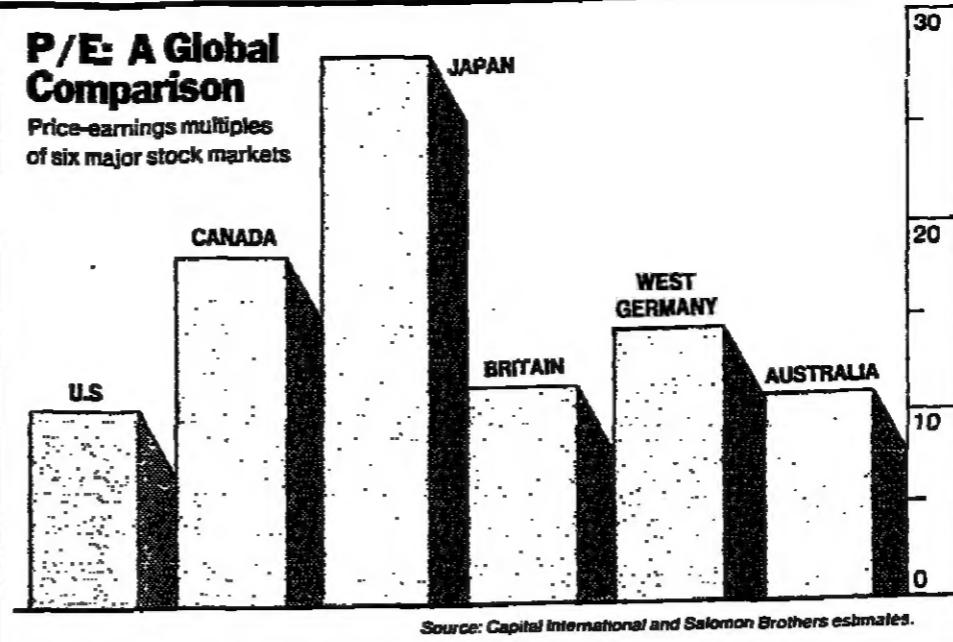
"It's a U.S. problem, but it's the major political issue for this market," said Michael Conors, who heads Jardine Fleming's research department in Tokyo. "Until we have a better view of the U.S. economy and world economy, people will still be jittery about blue chips."

NONE is suggesting that there will be a sharp correction in Tokyo, but doubts about whether the market can maintain its upward momentum are widespread. Tokyo's stumble in March frightened many investors and, several analysts say, pointed up the frailties of the market, where rallies are as much a product of speculation as fundamental factors.

Apparently weary of the Tokyo market's unpredictable nature, some money managers in Europe and in the United States have decided to lower their positions in Japanese stocks in the second half. "The Japanese have been engaging in private speculations at the cost of foreign investors," declared Christopher P. Murphy, vice president in charge of portfolio investments for Citicorp Bank in Switzerland.

European markets, which have enjoyed healthy rallies since the start of the year, are also seen as vulnerable to the slowdown in U.S. economic growth. In West Germany, where the economy depends heavily on exports, there are already signs of a shift in investment strategy in the Frankfurt market.

Portfolio managers at the big Frankfurt merchant bank, BHF Bank, are selling stocks in export-oriented companies that have led the market recently and placing greater emphasis on undervalued German blue chips and smaller companies. □



TOKYO:

(Continued from Page 7)

muva Investment Management Co., a new division of Nomura Securities Co. that invests U.S. pension funds in the Pacific Basin.

Mr. Kagami who expects the Tokyo market to be flat in coming months, admits to caution in Japan. Hitachi and Matsushita are among the few big exporters and electronic stocks he likes. He favors retailers, food companies and restaurants. "But nowhere would we make a big commitment," he said.

Not surprisingly, Mr. Kagami and other money managers are looking elsewhere in the Far East, especially in Hong Kong where price/earning multiples are less than half those in Tokyo. "I find the Japanese market is difficult to deal with. Most people have had a tough time," said George Noble, who manages Fidelity's international fund. "I think the chips are stacked against a lot of Japanese stocks."

Mr. Noble has limited his exposure in Japan to 10 percent of his portfolio. By contrast, Hong Kong accounts for 20 percent of the \$19 million he has under management. His picks included China Light & Power, Swire Pacific and Hutchison Whampoa.

Nikkō's Mr. Miura is more optimistic. He expects Japanese economic growth to average about 5 percent this year and points to the recent rise in consumer spending and increase in housing starts as good signs for the market. He also notes that the increase in corporate earnings will probably filter down to Japanese consumers in the form of bonuses this summer. High on his buy list are Mitsubishi Estate, Japan's largest builder, and Tokio Marine & Fire, a leading insurance company.

Tetsuhiko Miyake, institutional research manager for Nomura, is concentrating on the property and housing sectors, as well as specialty stores. "It's a relatively defensive stance, and it doesn't differ much from our first-half choices," he said.

His current picks include Keyo and Shimachu, small chain stores that cater to the do-it-yourself crowd. Mr. Miyake also likes some of the smaller clothing chains that are enjoying brisk sales. These include Suzutan, based in Nagoya, and two over-the-counter stocks, Taka Q and Cubin.

The main problem, Mr. Miyake said, is whether the government will take measures, such as a tax cut, to boost consumption. Measures to stimulate imports will be announced in late July, but a decision on a tax cut is not expected before year's end.

"When we see an upturn in domestic consumption, then we can turn toward the large retailers, Ito-Yokado, Isetan and Maru," he said. "For now it's hard to justify their price/earning multiples."

Up until a few weeks ago, Hisamichi Sawa, director of research at Prudential-Bache in Tokyo, went along with the accepted market view on exports. Since then, however, he has developed a contrary view. With high-technology exporters so out of favor, Mr. Sawa reasons that "the best time to accumulate these shares is when they're unpopular." □



Nobumitsu Kagami of Nomura

NEW YORK:

(Continued from Page 7)

strategist at Shearson Lehman Brothers. The Federal Reserve "will be meeting every two months and do what they have to," said Mr. Sherman, who foresees a possibility of a series of discount-rate reductions if the economy does not respond to one or two cuts.

Consequently, analysts do not foresee any major shift in equity strategy in the next half. Most portfolio managers are still leaning toward consumer-oriented sectors and interest-sensitive stocks, such as utilities and banks. However, many of these stocks are no longer as cheap as they were last January.

Still, with prospects for continued economic growth, Robert J. Salomon, head of equity research at Salomon Brothers, says New York offers the best bargains on the basis of price/earnings multiples.

"We're the cheapest major market in the world," said Mr. Salomon, who sees average market P/Es rising to 11 to 12 by the end of the year, compared with the current range of 9.5 to 10.

Unlike others, Mr. Salomon sees the current climate of high interest rates and a strong dollar as a constructive transition period that is forcing companies to cut costs, trim debt and improve competitiveness in the face of imports. "Just look at the last six months," he said. "Profits have been disappointing, but the market has gone up — a clear indication that the market is being revalued."

When it comes to picking stocks for the next few months, Mr. Salomon prefers sectors that lie outside "the eye of the storm," those that can show pricing flexibility. This strategy rules out basic industries, which are struggling to compete with foreign manufacturers. He also dislikes the oil and mining areas.

Instead, Mr. Salomon focuses his attention on purely domestic areas, such as media and property casualty insurance stocks. In the media sector, Mr. Salomon likes Time-Life Inc., Capital Cities Communications, Knight-Ridder, The Washington Post and The New York Times. General Reinsurance, Aetna Life & Casualty, American Express and Marsh & McLennan are among his picks in the insurance sector.

In line with his broad view of the market, Mr. Salomon also likes looking for companies undergoing or likely to undergo restructuring. Among his current picks are ITT, Rexnord and Revlon. However, he acknowledges that there is a high risk in such a strategy that the restructuring will go awry. "To some extent you have to be as early as possible, but you can be wrong," he said.

In view of the market's gains so far this year, some commentators have begun to wonder whether the best performers have much more upside potential. "It won't be anything as neat as exciting as it was at the beginning of the year," said Fred Frazee, director of equity research at Prudential-Bache.

He still considers the consumer and service sectors to offer the best potential. He likes such utilities as Florida Progress and Public Service Electric & Gas and regional telephone companies such as NYNEX and Southwest Bell USAir and AMR are on his buy list for airlines. □

EUROPE:

(Continued from Page 7)

year. "The liquidity buildup is amazing," said George Noble, manager of Fidelity's international fund in Boston. Montedison and IFI head Mr. Noble's buy list.

Aside from mutual-fund buying, Richard Overton, director of Astoria Montague Asset Management in London, which has \$2 billion (about \$5 billion) under management, said he also likes Italy's recent political stability and points to improvements in economic conditions. Indeed, Italian inflation is heading lower and Consob, the regulatory agency for the securities industry, appears to be taking steps to strengthen financial reporting requirements. Mr. Overton's picks in Italy include Fiat, Mediobanca and Olivetti.

The new fascination with Italian stocks does not mean the experts have forsaken the bigger markets. Most generally remain optimistic about further gains in equity markets in West Germany, Switzerland and France.

The confident tone can be traced to a generally upbeat view of the economic recovery in Europe, although some analysts are concerned that a significant slowdown in the United States will harm Europe's export-led growth. Also contributing to the buoyant outlook for European markets is chronic concern about the dollar. A number of global money managers have placed limits on their dollar exposure, sometimes shifting assets to

the continent where the Deutsche mark and Swiss franc are seen as likely beneficiaries of a drop in the dollar.

The strategy in Frankfurt and Zurich is to identify the sleepers, those stocks that might have been overlooked in the first-half rally and that still offer attractive price/earnings multiples.

The chemical sector is one area of search in West Germany. Analysts like BASF, Hoechst and Bayer whose P/Es range from 7.5 to 9. Still, no one is giving up on the big names. Mr. Overton likes Volkswagen, Daimler-Benz and Hypo Bank. The big three banks, Deutsche Bank, Commerzbank and Dresdner, also remain in favor.

Despite such defensive views, many analysts still believe there is much upside potential in London. "We see [the market] as still moving forward. There is very strong earnings and dividend growth," said Richard Williams, director of Hill Samuel Fund Management. He forecasts a dividend growth of about 10 percent next year, with yields of 5 percent to 6 percent.

With the economy in "quite good shape" and the pound gaining ground against the dollar, Mr. Williams also targets domestic-oriented stocks. Hill Samuel particularly favors the retail sector, with Burton and Tesco named as good buys. Banks are also seen as being quite inexpensive, with Barclays favored over the other major institutions. □

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PROFILE

Ernest Kiehne Buys Stocks That Stumbled

By John C. Boland

Baltimore, Maryland

AMONG the old-school investors who shop for value among depressed stocks, the name Legg Mason Wood Walker Inc. has been gaining attention. The Baltimore firm's no-load mutual fund, since its inception in the spring of 1982, has turned in the best performance in the mutual-fund industry, according to Lipper Analytical Services. As of two weeks ago, the Legg Mason Value Fund was up more than 160 percent.

That return, about two-and-a-half times the Standard & Poor's 500 advance, has been earned without exceptional risk. Indeed, the current portfolio of more than 100 stocks sports many solid, well-known companies.

But most of them have one thing that attracts the fund's overseer, Ernest C. Kiehne: a blemish of some sort on the corporate record — such as a temporary decline in earnings. Mr. Kiehne said: "If you could earn 2½ percent on revenue, that would be \$2.50 a share." American Carriers cleared \$1.35 a share in 1984, and Mr. Kiehne looks for

States, is a case in point. Philips could ring up sales equivalent to \$80 a share this year (revenue grew 14 percent in the fourth quarter), and Mr. Kiehne expects that number to grow to \$100 within two years. At \$16, the stock trades at 20 percent of current sales per share. If profit margins reach 3 percent, earnings are likely to be about \$2.30 a share this year, \$2.80 next year and \$3 in 1987, he reckons. That is the kind of progress that he hopes might double the stock price. Philips' book value is about \$25, and research and development outlays, plus cash flow, are about \$11 a share.

Mr. Kiehne also looks favorably on American Carrier Inc., thinly traded over-the-counter issue that he bought aggressively in the March quarter. The Middle West-based trucking company is trading around \$12.50, with revenue that he expects to reach \$100 a share next year. Noting that the industry averages 4 percent for after-tax profit margins, Mr. Kiehne said: "If you could earn 2½ percent on revenue, that would be \$2.50 a share." American Carriers cleared \$1.35 a share in 1984, and Mr. Kiehne looks for

'It always seemed logical to me to buy stocks that were improvable.'

about \$1.60 this year, and a possible doubling of the stock price.

It was similar analysis that brought Mr. Kiehne to SCM Corp., a diversified chemical, office-equipment and paper company that ranks as Value Trust's largest holding. The stock is trading around \$48, versus the fund's average stock cost of \$38.63. Revenue exceeds \$200 for each of SCM's roughly 10 million shares. "If it earned 4 percent, SCM could clear \$9 a share," Mr. Kiehne said, assuming some revenue growth. That appears within reach in a couple of years, he said.

Among the large-capitalization companies, Mr. Kiehne likes Allied Corp., which he bought as a chemical company but is happy to stay with now that the acquisitions of Bendix Corp. and Signal Cos. add a high-technology angle. With the stock down to \$40 from a \$46 peak, Mr. Kiehne argued that earnings of \$5.50 a share and a market-average price-earnings ratio could lift the share price to \$60 in two years.

Mr. Kiehne was a buyer in the March quarter of regional bank stocks, which already had performed well for the fund. Most



Ernest C. Kiehne

of them, he noted, are selling around seven-and-a-half times Legg Mason's estimates of 1984 earnings. Most of the banks in the portfolio are earning less on their book value than the average for regional banks. Virtually all, he suggests, are potential targets for buyouts (the fund has had several earlier bank holdings taken over). During the quarter, Mr. Kiehne more than doubled his stake in Merchant Bancorporation Inc. of St. Louis.

At the moment, Mr. Kiehne's only real problem is an embarrassment of riches. The Value Trust has been attracting about \$1 million in new money each day, which has raised the total under management to well over \$200 million. Largely because of that influx, the fund's cash reserves have climbed to 14 percent. Given current stock prices, Mr. Kiehne said he didn't feel "too bad" about having that much cash.

Legg Mason is attracting so much new money that it hopes to start a second fund in about 90 days. That new offering will be a growth and income fund that might invest in bonds as well as stocks.

Mr. Kiehne is optimistic on the long-term prospects for the economy and the stock market, all the more so as it appears that the federal deficit might be trimmed. A lower deficit, a lower dollar, a smaller trade gap, perhaps a slower economy: Those might be the ingredients of an extended business upswing in 1986, he said.

One way to play Value Trust's success is by buying the stock of the brokerage firm's parent, Legg Mason Inc. The holding company's shares, which trade on the New York Stock Exchange, are about \$15.75, compared with a 52-week low of \$9. In its fiscal year ending March, Legg Mason earned 70 cents a share. With cash pouring in, Legg's management and distribution fees from the Value Trust (and from the forthcoming growth and income fund) stand to rise sharply, and its earnings this year could double.

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"It always seemed logical to me to buy stocks that were improvable."

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CHART TALK

The Fed's Gift to Wall Street

THE Federal Reserve Board stole center stage from the takeover talk that had been circulating through U.S. equity markets in May by reducing the discount rate to its lowest level since August 1978.

The reduction of half a percentage point in the rate to 7½ percent, effective May 30, infused life into a generally listless market, boosting major indexes to record highs. The Dow Jones Industrial index crossed the 1,300 mark on the first trading day after the announcement and closed out the month at 1,315.41, up 57.35 points over April's finish. Standard & Poor's Composite index rose 8.2 points to end the month at 189.55.

"I think you'd have to say that it was pretty exciting," said Hugh Johnson, a vice president and head of investment strategy at First Albany Corp. "There were many people who foresaw a decline in interest rates but none of the fire-

Market Scoreboard

The stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in May.

GAINERS		LOSERS			
	Percent Gain	May 31 Price	Percent Loss		
New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars					
Houston Natural Gas	46	68.50	Katy Industries	33	13.38
CNA Financial	40	54.00	Pioneer Electronic	31	13.75
Nabisco Brands	39	82.63	Unocal	28	33.50
UAL Inc.	33	53.63	GCA Corp.	23	18.50
Continental Info.	30	10.25	Transocean	20	12.25
Hillig-Myers	29	28.00	McIntyre Mines	18	29.13
United Brands	29	16.88	Mesa Petroleum	15	14.38
Callco Inc.	28	21.50	TDK Corp.	17	16.75
Upjohn Co.	28	107.25	H.H. Robertson	16	31.75
Erbamont	26	13.88	Allied Products	16	18.25
American Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars					
Forest Laboratories	52	27.25	Gross Telecasting	42	17.13
Greenman Brothers	45	34.00	Ruddick Corp.	16	24.25
American Biilrite	43	11.25	PEC Israel	15	10.00
Moore Medical	42	17.50	Metrocare	14	19.00
Lake Shore Mines	41	54.00	Tech-Sym	13	16.38
Over the Counter:					
Compiled by Capital International. Prices in cents					
Tutu Time	82	25.25	Continuum Co.	32	20.50
Waxman Industries	58	16.38	Micro Systems	28	16.75
Clothesline	55	20.50	Sym-Tek	25	12.50
Communications Ind.	39	28.63	Kulicke & Soffa	23	17.75
Newport Pharm.	38	10.50	Entre Computer	23	11.75
London Stock Exchange:					
Compiled by Capital International. Prices in pence					
Debenhams	39	388	BSR International	25	88
United Scientific	32	225	Plessey	25	142
Burnham Oil	26	286	Standard Telephone	16	170
Fisons	20	361	Ferranti	11	130
Bank of Ireland	19	295	Inchcape (U.K.)	8	390
Lucas Industries	19	302	Royal Bank Scotland	8	262
W.H. Smith & Son	17	248	Electrocomps	8	386
BOC Group	15	309	British Corp. Shipping	7	263
Whitbread	15	227	Rio Tinto Zinc	7	580
Guinness (Arthur)	15	277	Barratt Developments	7	80

Tokyo Stock Exchange:

	Stocks	Bonds
Nagoya Railroad	41	305
Mitsubishi Petrochem.	41	429
Mitsui Real Estate	29	837
Chubu Electric	27	1,530
Mitsubishi Estate	26	779
Asahi Chemical	26	1,100
Kinki Nippon Railway	26	336
Kansai Electric	26	1,770
All Nippon Airways	23	550
Fuji Electric	23	400
Pioneer Electronic	32	1,690
Tokyo Electron	24	3,390
Makino Milling	18	1,020
Nippon Gakki	18	1,460
Oriu Pharmaceutical	16	5,240
Mori Seiki	16	2,060
Kyocera	16	4,530
Alps Electric	15	1,570
Amada	15	932
Sanko Steamship	15	100

"to sell in May and go away." The Financial Times industrial index rose 31.1 points to finish the month at 1,002.5.

Leading the British issues was Debenhams. The retailer has been the object of a hostile takeover bid by Burton, United Scientific, Burnham Oil, and W.H. Smith also ignored the conventional wisdom

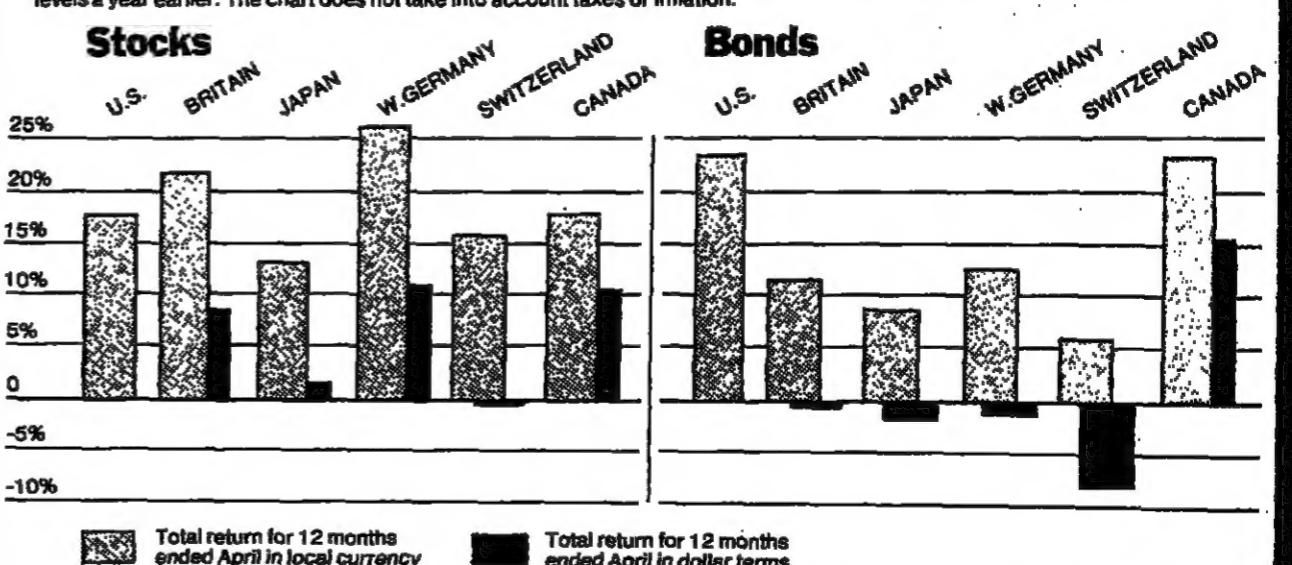
benefited from takeover rumors. Mr. Elliott said BSR and Plessey, members of the beleaguered electronics group that have struggled with earnings reductions abroad, topped the loser's list.

After April's sharp setback, the Tokyo Stock Exchange regained some ground. The Nikkei-Dow

Jones index climb 332.17 points to 12,758.46. Analysts noted that domestic issues that were insulated from currency exchange fluctuations and international trade conflicts were most attractive to investors. Investors also sought out undervalued issues with hidden assets.

Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide, either in dividends or interest. Gains and losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



COMMODITIES

Goldbugs Talk of Ranges, Not Rallies

(Continued from Page 7)
to jump and say, "Well, that looks pretty exciting."

James

BONDS

Ginnie Mae and the LYON: Variations on the Fixed-Income Theme

Mortgage-backed Ginnie Maes offer attractive yields

By James Sterngold

SINCE the postwar housing boom began in the United States, the mortgage market has expanded to a staggering \$2 trillion as Americans pursued their dreams of homeownership. Given this mammoth market, it is little wonder that today's aggressive financial institutions have found ways to bundle, repackage, and reshape mortgages into new kinds of securities.

Advertisements in U.S. financial publications extol the high yield and usually great safety of mortgage-backed securities. What the ads often do not make clear, however, is that mortgage-backed securities are complex instruments. While appropriate for some investment situations, they can be dangerous to investors who do not understand them.

"From the start, there were all kinds of problems with these securities, and some terrible abuses," said Robert Dell, an adviser to Morgan Stanley & Co., who has been involved with the latest generation of mortgage-backed securities since their inception 15 years ago.

"I don't think the problems were the result of misrepresentation, but of lack of knowledge," he said. "These securities aren't mysterious. They do require some thinking, though, and time to understand."

George Hester, a vice president of Paine Webber and a booster of mortgage-backed securities, said he sometimes cringes when he hears the advertising.

"Some of these brokers just tell you that you get these great yields of 12 percent or so," he said. "But they don't really tell you that there is more to know about them. You have to exercise care and read that fine print."

The federal government took the lead in creating investment securities from mortgages. The idea was for the government to buy mortgages from financial institutions that had actually made the loans, and then place similar mortgages in pools totaling millions of dollars.

Securities backed by these mortgages are then sold, with a return that reflects the interest rates that individual homeowners are paying. These "pass-through" securities have the full backing of the federal government.

The Government National Mortgage Association, known as Ginnie Mae, is by far the leading issuer of such securities, with \$27 billion worth outstanding.

Two other government agencies, the Federal National Mortgage Association, known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, also issue mortgage-backed or mortgage-related securities. These securities, however, are also largely principally for the institutional investor.

Another difference is that Ginnie Mae purchases only government-insured mort-

gages, which adds another layer of protection for those who invest in Ginnie Mae securities. The two other agencies buy conventional mortgages, which do not carry such insurance.

The Ginnie Mae certificate has thus become the most popular form of mortgage-backed security. Its chief advantage is that it offers the highest interest rate of any government security. An investor receives as safe an investment as a Treasury bond, but with a better return. Ginnie Maes usually offer a yield of one-half percentage point to one percentage point higher than a comparable Treasury bond.

In many ways, Ginnie Maes are like a conventional fixed-income security. They are generally sold in maturities of 30 years and in minimum denominations of \$25,000. Like bonds, the value of their principal rises and falls inversely to the prevailing level of interest rates.

But there are significant and potentially confusing differences.

Unlike most government securities, which pay interest semiannually, Ginnie Maes make payments monthly, of both interest and part of the principal. Interest payments fall throughout the life of the investment, as the amount of principal shrinks. It is thus known as a "wasting asset."

"We have to train our brokers carefully, and constantly, to get this across to the investor," said Stephen D. Leghtman, first vice president and national sales manager of Prudential-Bache Securities.

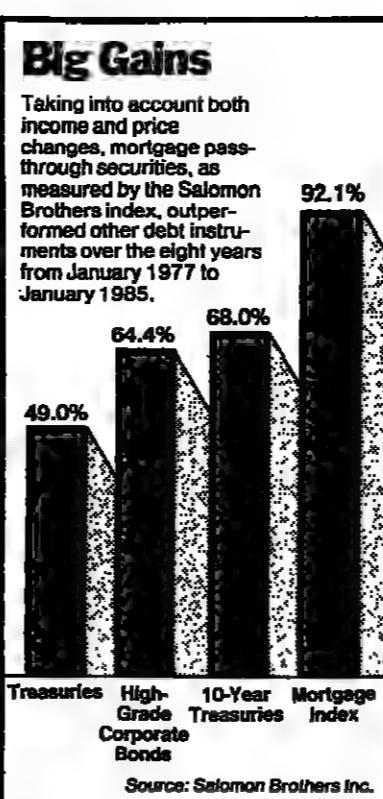
This payoff of principal derives from the fact that some holders of the underlying mortgages repay them before maturity. And the rate of the payoff on the Ginnie Mae is unpredictable, although there is a tendency to repay faster as the interest rates fall. Homeowners prefer to refinance at lower rates.

This payoff situation has potential drawbacks. If investors do not understand that part of the monthly check is principal, they could be spending what they believe to be income, only to find later that their principal has diminished. Even those who do understand must decide what to do with that returned principal every month.

BROKERAGES have introduced variations on the Ginnie Mae to overcome some of these problems. Since many investors did not have the \$25,000 minimum for a Ginnie Mae, the first efforts were directed at reducing the size of the minimum investment. This resulted in the unit investment trust. The trust consists of a pool of Ginnie Maes in which shares, or units, are sold. One can invest as little as \$1,000, with \$100 increments above that.

Next on the scene and currently one of the hottest mortgage-backed products is the mutual fund. The Ginnie Mae mutual fund is also a pool of securities in which the investor can, in effect, buy a share. But the advantage with mutual funds is that the principal paid back to the investor by the Ginnie Maes, and even the monthly income, can be reinvested automatically. And the funds are actively managed by the mutual fund company through the use of various hedging strategies. This can produce additional income for the investor.

There is, however, a cost for this management expertise. The mutual funds' interest rate is usually about one-quarter to one-half percentage point below that of a unit trust or



actual Ginnie Mae certificate. The value of the units in a unit trust or a mutual fund rises or falls with fluctuations in interest rates. Mr. Hester said that his brokers are now selling a combination of these products.

Some income-oriented investors like to purchase Ginnie Mae certificates, and an adjoining Ginnie Mae mutual fund. That way they get the high yield and monthly payments of the certificate but can automatically reinvest the retained principal in the mutual fund. When the amount invested in the mutual fund rises to \$25,000, another certificate can be bought.

The Ginnie Mae mutual fund pays an interest rate of about two to three percentage points higher than a typical money market fund, Mr. Hester said.

Other mortgage-backed investment products are also available from brokers. There is growing popularity, Mr. Leightman says, of CMOs. These are bonds issued by corporate borrowers, that have collateral Ginnie Maes or some other mortgage-backed instrument. The mortgages provide strong backing to the bonds. The bonds provide certain and regular income, the Ginnie Maes do not.

Such backing means that corporate borrowers pay less than they would otherwise. But the investor still receives a better return, at higher risk, than the straight Ginnie Mae. Mr. Leightman said that corporate CMOs pay from a quarter-point to a half-point higher rates, but cautioned that the market is not as liquid as that for Ginnie Maes.

"What has made these accessible to the consumer now is that we've got them down to denominations of \$1,000 minimum," he said. "And you don't have the problem of principal payback."

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Merrill's LYON links zero coupon with a stock play

By Edith Cohen

IN THE scratching and clawing for investment dollars in the past few years, Wall Street has unleashed a menagerie of instruments with a distinctly feline flavor. Since 1982, when Merrill Lynch brought out a zero-coupon instrument dubbed TIGRS, or Treasury Income Growth Receipts, which was followed by Salomon Brothers' CATS, or Certificates of Accrual on Treasury Securities, the market for such investments has grown to \$100 billion to \$125 billion.

Now, Merrill Lynch has unleashed its LYON, or Liquid Yield Option Note, a complicated hybrid security. The LYON combines the popular zero-coupon debt security with features of convertible bonds. Lee Cole, vice president of institutional sales, says the LYON was designed "for risk-averse investors" who want to be able to participate in a rise in the issuing company's stock but also have some downside protection.

The concept behind zero-coupon bonds is now well-known by most investors. These deep-discount bonds pay no interest until they are redeemed or reach maturity. The value at maturity of a zero-coupon instrument represents the accrued interest.

The LYONs underwritten by Merrill Lynch in April are corporate zero-coupon securities issued by Waste Management Inc., a waste-disposal company in Oak Brook, Illinois, and Staley Continental, which controls A.E. Staley Manufacturing Co., a food processor in Decatur, Illinois. The securities pay a compounded annual rate of 9 percent.

The issues have two new twists. The investor has the right to convert the zero-coupon corporate security into the common stock of the issuing company. In addition, the investor gets the right after three years to "put" or sell back the security to the company for the accrued value. In the first three years redemption is permitted but for lower yields.

The buyback guarantee safeguards against a sharp decline in value if interest rates climb. This is important, because prices of zero-coupon debt instruments are more volatile than those of conventional bonds.

Both the Waste Management and Staley issues were priced at \$250, and they will pay \$1,000 at maturity in 2001. Over the 16-year life of the securities, the investor has the option of converting the note into stock at a 10-percent premium to the market price on the date the issue's terms were set.

For Waste Management, which was trading at \$32.125 on April 12, the LYON was convertible at a rate of \$37.34 a share. This established a conversion rate for the life of the bond of 4.36 shares of common for each note, calculated by dividing the \$250 face price by the price of a single share.

At any point in the life of the security, the investor simply divides the accrued value of the note by 4.36 shares to determine the per-

share cost of converting it into Waste Management common stock. For Staley, which was trading at \$18.95, the LYON was convertible on the first day of the issue at \$20.625, or about 12.1 shares.

Like other convertible securities, the LYON is, in effect, a way to hedge market movements. The investor accepts a rate of interest somewhat below that of securities of comparable risk and maturity for the right to participate in any surge in the price of the stock of the issuing company. But should the stock fail to perform, the investor is guaranteed a fixed return, whether the security is held to maturity or resold to the company.

The LYON confers an added hedge by putting a floor under the value of the security should interest rates surge.

The crucial question for the investor is whether the terms of the trade-off are attractive. A key issue is whether the outlook for the company's stock is sufficiently bright to justify the sacrifice of a few percentage points of yield. A look at the chart below gives an idea of how far and fast Waste Management's shares would have to rise for the convertible option to remain attractive.

Under the LYON formula, the effective conversion price rises with the accrued cash value of the instrument. Thus, on June 30, 1988, when the accrued cash value will be \$301.57, the LYON could be converted into the common stock of Waste Management at \$69.23 a share, or about 18 percent above its current market price.

For W. Theodore Kuck, vice president and portfolio manager of Equitable Investment Management Co., the Waste Management LYON seemed a reasonable play on the stock. "The most important decision for any convertible issue is whether you'd be a buyer of that stock. We believe Waste Management is an attractive stock," he said, and the LYON is "an attractive way to hold it."

"The downside protection was recognized at the offering by everyone," he said. "What they disagreed on was the upside performance potential of the convertible versus the upside performance of the common stock."

He notes that Waste Management zeros have outperformed the market to date.

But Mr. Kuck is far from being swept away by the LYON phenomenon. Sticking by his own rule of carefully evaluating the underlying stock in a convertible offering, he says, his firm did not participate in the Staley issue. "We didn't like the fundamentals."

Overall, however, the market responded well to both the Waste Management and Staley offerings. It snapped up \$187.5 million of the Waste Management issue, valued at \$75 million at maturity, and \$87.5 million of the Staley, valued at \$35 million at maturity, according to Mr. Cole of Merrill Lynch. He estimates that half was bought by institutions and half went to the retail market.

BUT critics note a few aspects that may make a LYON less than the ideal household pet. For one thing, Mr. Kuck notes that the company has the right to call the bonds for cash beginning in mid-1987. Such call features typically make a debt instrument less attractive to investors who buy bonds in the first place to lock in an interest rate for a fixed period. For the first two years, the stock must exceed \$86 a share in Waste Management's case for the company to call it. And the holder of the LYON has 15 days in which to decide whether to convert it to stock.

However, Mr. Kuck says Waste Management has little incentive to call the issue. Companies that issue zero-coupon debt are allowed a tax deduction on the implied interest as if it were a bond paid semiannually. In other words, the company receives a break on its current taxes even though the interest on zero-coupon debt is not paid until maturity.

The tax story can be different for the investor. In some jurisdictions, the imputed interest on zero-coupon bonds is taxed yearly as if the interest were being paid regularly rather than as a lump sum at maturity. Because of this, LYONS, like other zero-coupon instruments, are best suited for tax-deferred holdings, such as offshore accounts or tax-exempt retirement accounts.

Tracking a LYON

The first three columns show the accrued cash value each year on June 30 of the Waste Management LYON issue if it were sold back to the company and the effective annual yield. The fourth column indicates the effective stock price if the instrument is converted into common shares.

Date	Accrued Cash Value	Effective Yield	Stock Price Equivalent If Converted
1985	\$301.57	9%	\$69.23
1986	323.50	8%	76.14
1987	375.50	8%	86.87
1988	411.00	9%	107.97
1989	443.75	9%	117.90
1990	474.00	9%	128.76
1991	501.00	9%	140.60
1992	524.00	9%	153.54
1993	544.00	9%	167.57
1994	563.00	9%	183.11
1995	571.00	9%	199.95
1996	572.00	9%	218.35
1997	569.00	9%	

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INTERNATIONAL BUSINESS / FINANCE

MONDAY, JUNE 10, 1985

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EUROBONDS**Guessing Game on U.S. Rate Unsettles Eurodollar Market**

By CARL GEWIRTZ

International Herald Tribune

PARIS—Those who believe U.S. interest rates will decline further were buying Eurodollar bonds last week, those who do not were not, and those who have given up guessing were willing to follow the prevailing trend. Until late Friday, the trend favored dollar bonds. New York prices rallied sharply during the week and Eurobond prices were marked up by dealers as short-term rates eased and conviction mounted that a cut in the Federal Reserve's discount rate was imminent.

Those hopes were dashed by the May employment figures, which increased. This coming on top of Thursday's report of a renewed bulge in the growth of the basic money-supply measure sent short-term rates up, with one-year funds rising a sharp 3-point to 8% percent.

As a result, the new issues launched early Friday in anticipation of further rate decreases, were left adrift. Electricté de France's \$125 million of 10-year bonds, issued at 99%, fell 2½ points as did Seagram Co.'s \$100 million of 10-year, 10-percent bonds, offered at par. EdF is using the proceeds of its issue to prepay its 13-percent notes of 1988 launched in 1981 and currently callable at a price of 101.

International Business Machines Corp. announced it will call its 13%ks of 1987 issued in 1982. The paper is callable as of Aug. 18 at a price of 101%. IBM is refinancing the issue in the New York market, where it is selling \$200 million of three-year, 9-percent notes and \$200 million of five-year, 9%-percent notes. (On a Eurobond basis, the latter issue yields 9.86 percent.)

WHILE the early-week rise in New York was much sharper than the Eurobond rally, the New York decline was also much steeper. This means that EdF and Seagram, which were priced at about 15 basis points over yields on U.S. Treasury paper, ended the week yielding less than Treasury bonds.

A major distinction that bankers make between the performance of the New York and Eurobond markets is that the New York rally was fueled by retail investors rushing to buy paper and the decline by those investors pulling back. The market in Europe, by contrast, is marked by near-absence of retail demand.

The thrust behind last week's Eurodollar issuing activity was the continuing shift of dollar-based institutional investors either out of low-yielding deposits into short-dated securities or out of medium-term holdings into longer-term paper to grab a return of 10 percent or more while it is still available.

However, the Eurodollar market has lost a major source of support as bankers report that Japanese investors have shifted their buying activity to the Treasury market in New York. Bankers say the Japanese are not willing to take a view on the development of interest or exchange rates and — although they continue to purchase dollar securities — want the comfort of the vast liquidity of the Treasury market where they can dump their holdings at a moment's notice with minimum impact on prices.

Some analysts argue that the traditional retail demand for Eurobonds is not likely to soon reappear as portfolios are bulging with bonds and investors are increasingly turning to shares as yields on new bond issues drop to levels that are no longer compelling.

Meanwhile, with financing costs well below the coupon levels, underwriters remain willing to take on new commitments — although by the end of last week, not all of these were still showing a profit.

Ford Motor Credit Co., which broke the 10-percent barrier on five-year paper, set a coupon of 9¾% on its notes and an issue price of 99%. But by the end of the week the notes were quoted at a discount of 3½ points for a yield of 10.46 percent.

Atlantic Richfield Co. ended with a discount of 3½ points on its \$250-million, 15-year issue which was offered at 95% with a coupon of 10¾ percent.

Escom, South Africa's Electricity Supply Commission, tapped the market for \$100 million, offering six-year notes at par bearing a coupon of 11½ percent. The appetite for South African paper is limited and the coupon reflects this.

Denmark structured its \$100 million of seven-year notes to

(Continued on Page 15, Col. 1)

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States			
Last Wk.	Prev. Wk.	Closes	United States
DJ Indust.	1,214.42	1,215.41 +0.76%	Discount rate
DJ Util.	1,632.88	+0.18%	Federal funds rate
DJ Trans.	553.45	+1.3%	Prime rate
S&P 500	183.68	-0.21%	Japan
NYSE	197.97	+0.08%	Discount
NYSE (cont.)	197.97	+0.07%	Call money
Stock/Bonds/Bonds Securities	109.63	+0.27%	60-day interbank
United Kingdom	FTSE 100	1,210.98 -0.02%	Lombard
FTSE 30	1,091.49	+0.34%	Overnight
Hong Kong	1,542.55	-1.42%	1-month interbank
Japan	Nikkei DJ	12,258.44 -0.33%	British
West Germany	Commerzbank	1,231.50 +3.17%	Bank-bank rate
			Call money
			3-month interbank
			Dollar
			Last Wk. Prev. Wk. Closes
			Bk. Inter. Ind. N.Y. N.A. 145.30 -%
			Gold
			London Inter. Bds. 3142.30 3140.00 +0.09%
			Interest paid from Citibank from James Cost

Currency Rates

Cross Rates		June 6	
Amsterdam	5	6.2415	6.2714
Brussels (b)	6.2155	6.2714	11.2655
Frankfurt	12.9715	13.0005	13.0205
London	2.0219	2.0219	2.0219
New York	1.2693 4	1.2693 4	1.2693 4
Paris	9.327	11.025	11.025
Tokyo	365.10	365.81	366.24
Zurich	2.5645	2.5695	2.5695
1 ECU	0.7234	0.7205	0.7205
1 SDR	0.997111	1.001313	1.000800
Currencies in London and Zurich, Dollars in other European centers, New York rates of 4 P.M. (a) Commercial rates (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 10,000 (y) Units of 10,000 (z) not available (x) To buy one pound (y) Not available			

Other Dollar Values

Country per U.S.\$	Country per U.S.\$	Country per U.S.\$	Country per U.S.\$
Armenia, peso	617.26	Fin. markka	4.274
Australia	1.5222	Greek drach.	125.59
Austr. dol.	21.82	Hong Kong \$	7.774
Aust. dol. (x)	61.08	Italian lira	1,016.00
real/cross	5.2000	Irish punt	1,177.00
real/cross (x)	1.2301	Irish punt	0.7974
Spanish peseta	10.36	Swiss franc	1.0718
Egypt, pound	0.7643	Turkish lire	2.6725
Shilling	1.0399	Venez. boliv.	13.00

Sources: Banque de Bruxelles (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (Washington); ECU (Paris); Royal Dutch.

Other data from Reuters and AP.

G&W Sale Of Units Planned**Wickes Is to Pay About \$1 Billion**

International Herald Tribune

NEW YORK—Gulf & Western Industries Inc., the entertainment and consumer-products company, said Sunday it had agreed in principle to sell its consumer and industrial products groups to Wickes Companies Inc. for about \$1 billion and the assumption of about \$90 million in long-term debt.

Martin S. Davis, G&W's chairman and chief executive officer, said the sale "substantially completes" the sweeping restructuring program he began in 1983 after taking the helm of the company.

The latest sale "reflects our continuing commitment to sharpen the focus of Gulf & Western," he said in a statement.

The divestiture includes two companies with widely recognized brandnames — Kayser-Roth, which makes apparel and hosiery, and Simmons, which makes bedding and home furnishings.

A.P.S., an automotive parts distributor, and G&W Manufacturing, a maker of automotive, electronic and construction products, make up the rest of the properties to be sold to Wickes.

The companies are expected to report combined sales in the current fiscal year, which ends July 31, of \$2.7 billion and operating income, before corporate expenses of slightly over \$200 million.

G&W said it expected to realize a substantial gain from the sale.

Wickes, a Santa Monica, California-based company whose main business has been in lumber and building supplies, said it would finance the purchase through bank borrowings, a private placement of debentures and convertible preferred shares, and proceeds from a recent \$333-million common stock offering.

Over the last 16 months, G&W has made several acquisitions aimed at bolstering the company's presence in publishing and related fields.

The acquisitions included Esquire Inc., a magazine publisher, and Pentice-Hall and Ginn & Co., which both publish textbooks and other educational material. Among G&W's other holdings are Simon & Schuster, the publishing house, Paramount Pictures and Madison Square Garden Corp.

As part of the restructuring program, the company has shed its holdings in sugar, zinc, chemicals, building products, energy, race-tracks and manufacturing.

Last October, G&W reported that operating net totaled \$742 million, up 13 percent from \$63.6 million in the previous year. The group's sales amounted to \$1.13 billion, up 19 percent.

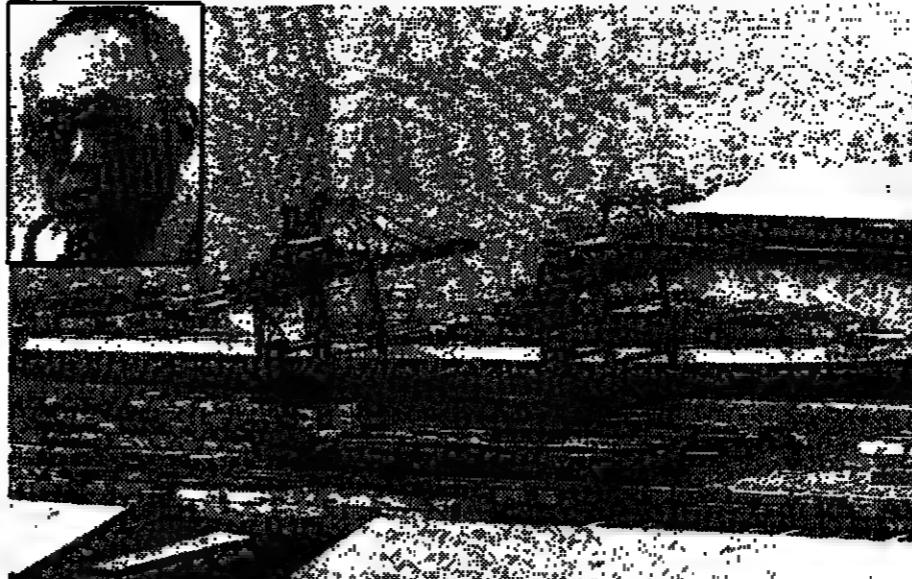
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continued narrowing of loan charges.

The Eastern bloc is the latest beneficiary of this trend. Although charges have fallen sharply, they still are more generous than those paid by the industrialized countries and lenders are clamoring to get in on the deals.

But more recently, G&W posted a fall in 1985 first-half net to \$103.2 million, 31 percent down on the \$149.6 million posted in the year-earlier period. Sales totaled \$2.1 billion, 5 percent up from \$2 billion the previous year.

Even the low-cost loans of the Western countries are being squeezed. Sweden, for example, is

Singapore Is World's Busiest Port**Harbor Now Attracts More Shipping Than Rotterdam**

AP/Singapore Ministry of Culture

Singapore's rise as a port is partly attributed to Prime Minister Lee Kuan Yew's policies.

United Press International

SINGAPORE—Singapore has overtaken Rotterdam as the world's busiest port in terms of shipping and is making a sustained effort to attract more cargo traffic, officials say.

The Port of Singapore Authority declines comment on its status. But officials said a comparative study of statistics from both ports confirms that Singapore now hosts more shipping than any other port in the world.

Last year, the statistics show, ships totaling 527 million gross registered tons called at Singapore, compared with 421.6 million tons at Rotterdam.

Yokohama in Japan assumed third position with more than 350 million tons. Fourth place was held by New York City.

A spokesman for the Netherlands Embassy in Singapore confirmed that Singapore was the world's busiest port in tonnage, but said that Rotterdam still handled more cargo annually.

The Dutch port handled 243.4 million tons of cargo last year compared with Singapore's 111.9 million tons.

The spokesman said Rotterdam's principal cargo was crude oil, with an average annual tonnage of 110 million in the 1980s. Others include ores and metals, solid fuels, mineral oils, animal fodder, chemicals, oil seeds, edible oils and cereals.

Singapore's improved performance was largely due to the economic recovery in the United States that caused an increase in containerized cargo, which grew by 18 percent to 22.1 million tons last year.

Other cargo handled by the port is mainly grain, vegetable oil and cement.

(Continued on Page 17, Col. 6)

Falling Loan Charges Benefit Eastern Europe

By Carl Gewirtz

International Herald Tribune

PARIS—International banks demonstrated afresh last week that their lending capacity far exceeds demand for loans, resulting in a

SYNDICATED LOANS

continued narrowing of loan charges.

The Eastern bloc is the latest beneficiary of this trend. Although charges have fallen sharply, they still are more generous than those paid by the industrialized countries and lenders are clamoring to get in on the deals.

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Even the low-cost loans of the Western countries are being squeezed. Sweden, for example, is

renegotiating lower terms on a \$1.5-billion delayed notes purchase facility arranged last year.

That facility was designed to back up the sale of floating-rate notes in New York which gave investors the right to request redemption after one year.

Almost none of that paper has been redeemed, so Sweden is widening the scope of the facility to a general purposes backup credit at the same time it is readjusting the cost.

The new structure will enable Sweden to use it to back the sale of commercial paper in New York by providing a so-called swing line allowing same-day drawings. In addition, two tender panels will be created to bid for short-term Eurobonds.

New Eurobond Issues

Issuer	Amount (millions)	Mot.	Coupl. %	Price and week	Terms
FLOATING RATE NOTES					
Barclays Bank	\$600	perp	1/4	100	99.26 Over 6-month Libor. Callable at par in 1990. Fees 0.675%.
Banque Int'lle Pour l'Afrique Occidentale	\$50	1995	1/4	100	— Over 6-month Libor. Redemable at par in 1992. Callable at par in 1990. Fees 0.825%.
Christiana Bank Kreditkasse	\$75	1995	1/4	100	99.97 Over 6-month Libor. Callable at par on any interest payment date after 1988. Fees 1.25%. Denominations \$10,000. \$55 million issued now and \$19 million reserved for tap.
Comerica	\$75	1997	1/4	100	99.80 Over 6-month Libor. Callable at par on any interest payment date after 1988. Redemable at maturity in cash and/or corporate stock or otherwise, after 1990, unless earlier opt., prior to June 1989, for cash redemption. Fees 1.14%.
Copenhagen Handelsbanken	\$100	2000	1/16	100	99.65 Over 6-month Libor. Callable at par in 1988. Fees 0.35%.
Crédit Lyonnais	\$300	2000	1/16	100	99.90 Over 6-month Libor. Callable at par in 1990. Fees 3/16%.
Iceland	\$125	2000	1/4	100	99.82 Over 6-month Libor. Redemable at par in 1995 and 1997. Callable at par in 1988. Fees 1/16%.
Oesterreichische Volksbanken	\$50	1995	1/4	100	— Over 6-month Libor. Callable at par in 1987. Fees 1/16%.
Ireland	DM 500	1997	1/4	100	99.80 Over 6-month Libor for first 8 years and 1/16 over for the remainder. Callable at par in 1990. Fees 0.14%.
FIXED-COUPON					
Atlantic Richfield	\$250	2000	10 1/4	99 1/4	96.50 Callable at 101 1/4 in 1997.
Denmark	\$100	1992	10 1/4	100	97.75 Callable at par in 1990. 15% payable on subscription and balance in July 1988.
EdF	\$125	1995	10	99 1/2	97.50 Callable at 101 in 1992.
Escom	\$100	1991	11 1/2	100	98.13 Noncallable.
Ford Motor Credit	\$100	1990	9 1/2	99 1/4	96.63 Noncallable.
Marubeni Finance	\$100	1995	zero	39.15	36.90 Yield 9.33%. Noncallable. Proceeds \$38.7 million. Denominations \$10,000.
Nippon Credit Bank	\$150	1995	10 1/2	100	99.25 Noncallable.
Nippon Kokan	\$50	1990	10	100	99.88 Noncallable.
Seagram Ltd	\$100	1995	10	100	97.50 Callable at 101 in 1992.
Sonat Finance	\$100	1992	11 1/4	100	101.33 Callable at 101 in 1990.
Rouffas Ammunitionsfabrik	DM 30	1995	7 1/4	99 1/2	— Callable at 101 1/4 in 1992. Private placement.
GMAC U.K. Finance	\$20	1990	10 1/4	100	— Noncallable.
Creditanstalt Bankverein	ECU 67.5	1994	8 1/2	100	98.50 Noncallable.
Crédit National	ECU 50	1995	8 1/2	100	98.50 Noncallable.
Mitsui Trust Finance	ECU 60	1993	8 1/2	100	97.75 Noncallable.
Buhrmann-Tetendorf	DF 50	1990	7 1/4	99 1/2	99.00 Noncallable private placement.
Australian Industry Development Corp.	Aus\$ 40	1988	12 1/2	100	99.13 Noncallable.
Chrysler Financial	Aus\$ 45	1992	13 1/4	100	97.75 Noncallable.
Finance Corp. of New Zealand	Aus\$ 25	1990	14	100	— Noncallable.
Security Pacific Australia	Aus\$ 60	1995	13 1/4	100	98.25 Callable and redeemable at par in 1990 when new terms will be set.
Danish Export Finance Credit	NZ\$ 40	1990	16 1/4	100	98.13 Noncallable.
Denmark	NZ\$ 75	1990	16	100	— Noncallable.
KB Ifima	NZ\$ 50	1990	16 1/4	100	98.13 Noncallable.
Swedish Export Credit	NZ\$ 50	1990	16	100	— Noncallable.
Norske Industribank	NK 200	1993	10	open	— Callable at 101 1/4 in 1990.
EQUITY-LINKED					
Isetan	\$20	2000	3 1/4	100	— Semiannual. Callable at 103 in 1990. Convertible at 614 yen per share.
Nippon Kangyo Kokumaru Securities	\$50	2000	open	100	98.25 Coupon indicated at 3%. Callable at 103 in 1990. Convertible at an expected 2 1/4% premium. Term to be set June 13.
Nippon Mining	\$50	1990	open	100	100.00 Coupon indicated at 7 1/4%. Noncallable. Each \$3,000 note with one warrant exercisable into shares at an expected 20% premium. Terms to be set June 13.
Thomson-CSF	\$75	2000	open	100	— Coupon indicated at 6 1/2%. Callable at 104 in 1988. Convertible at an expected 8-10% premium. Terms to be set June 10.

U.S. Rates Unsettle Eurodollar Trade

(Continued from Page 13)
appeal to investors who expect the dollar to decline by asking for only 15/4 percent of the purchase price to be paid immediately and the balance in July, 1986. The notes are offered at a price of 100% bearing a coupon of 10 1/4 percent.

Also tapping the market last week were Sonat Finance, guaranteed by Southwestern Natural Gas; Nippon Credit Bank Ltd. and Nippon Kokan K.K.

On Friday, Marubeni Finance NV, an offshore subsidiary of the big Japanese trading company, offered \$100 million of 10-year, zero-coupon bonds — the first from a Japanese-owned entity. Investors are asked to pay 39.15 percent of the face value, or \$3,915 for paper which will be redeemed at maturity for \$10,000. This is the equivalent of earning 9.83 percent a year.

At the time the terms were set, that return was spot on the yield of U.S. Treasury paper. But as Treasury rates rose, the price on Marubeni sank, ending the day down 2 1/4 points. The bonds, guaranteed by Fuji Bank Ltd., are not readily saleable in Japan as the issuing company is not Japanese.

One of the striking events of last week was the rush of issues dominated in high-coupon Australian and New Zealand dollars. The high coupons appeal to speculators who are willing to bet that the inherent weakness of the currencies will be offset when the dollar goes into its expected tailspin.

An array of maturities was available in Australian dollar paper.

Three-year notes (40 million dollars) were offered by Australian Industry Development Corp., priced at 100% with a coupon of 12 1/4 percent. Finance Corp. of New Zealand, guaranteed by Brierly Investments Ltd. of New Zealand, offered 25 million dollars of five-year, 14-percent notes at a price of 100%.

Security Pacific Australasia Ltd. offered 60 million dollars of 10-year bonds at 100% bearing a coupon of 13% percent. But for all practical purposes this is a five-year issue as it is callable by the issuer or redeemable by holders after five years, at which time the issuer can set new terms. (Both this issue and ALDC are payable in U.S. dollars at a rate to be set three days before payment. Interest and principal payments by the issuers will be converted to U.S. dollars as the issuers are Australian and subject to domestic exchange controls.)

Chrysler Financial Corp. offered

45 million of seven-year notes at 100% bearing a coupon of 13% percent. However, the terms were viewed as too aggressive, especially in light of the fact that the issue is subordinated debt.

Overall, however, bankers admitted that placement of the paper was made difficult by the overabundance supply.

For what bankers call "rate hogs," the New Zealand dollar offerings — all with five-year maturities — were more attractive as they bear coupons of 16 percent or more. Swedish Export Credit Corp. sold at 100%, 50 million dollars of 16-percent notes. Denmark offered 75 million dollars with a coupon of 10 1/4 percent.

For more conservative investors, the European Currency Unit remained the preferred vehicle. Although coupon levels have been declining, the yields of 8 1/4 percent eight-to-10-year paper are more attractive than the alternatives in Deutsche marks or guilders. Creditanstalt-Bankverein of Austria and Crédit National of France were the best received, while Mitsui Trust Finance traded outside its total commissions.

Lower Loan Rates Benefit East European Borrowers

(Continued from Page 13)
lower than on Sweden's existing 4-billion note facility.

Elsewhere, East Germany scored a big success enabling it to triple the amount of its syndicated bank credit to \$600 million from the \$200 million initially announced.

In addition, only a small fraction of about 13 percent, or \$30 million, has been priced over the prime rate of U.S. banks compared with the expected split of 60-percent LIBOR/40-percent prime.

Few borrowers pay such relatively high rates these days, even though for the East Germans the costs represent a 1/4-point cut from previous loans, which explains the great success.

Hungary also scored big. Demand to participate in its \$300-million, eight-year loan — a co-financing with the World Bank — was such a success that the over-flow being packaged as a separate loan. This was necessary as the co-financed operation could not be increased.

The parallel loan will carry identical terms, eight years at 1/4-point over LIBOR, and is expected to total \$150 million.

Both Hungary and East Germany arranged their terms before it became apparent that lending charges for Eastern Europe were collapsing. This was made evident by Czechoslovakia's split margin of 1/4-point over LIBOR for the first two years and 1/2-point over for the final six years. That \$100-million loan was more than two times oversubscribed, but will not be increased.

Bulgaria also benefited from the downshift, setting a margin of 1/2-point over LIBOR for the first four

Jobs Figures Prompt Rise In Major Interest Fees

By Michael Quint
New York Times Service

NEW YORK — Interest rates have risen sharply after the Commerce Department announced a larger-than-expected increase in the number of employed workers during May.

Although many economists still said that lower rates were likely this

U.S. CREDIT MARKETS

summer, the employment statistics reported on Friday punctuated the ebullient mood of the credit markets.

Prices fell Friday by a point or more for all Treasury issues with maturities longer than five years, with 30-year bond prices dropping by 2 points to raise yields to 10.53 percent from 10.32 percent. Treasury bill rates rose more than a quarter of a percentage point in

The employment statistics — particularly the increase of 345,000 workers on non-farm payrolls — were seen as a sign that the economy was not so weak as expected, and that the Federal Reserve therefore had less immediate reason to ease monetary policy and encourage lower interest rates.

"It looks like we're not going to get the discount rate cut soon as some folks were betting, but a lot of people are still going to get their profits from this rally and there are been a lot of unloading" by traders and other speculators, one government securities dealer said.

Under the terms of the law, overseas banks will have to set up retail banking facilities and their Swedish subsidiaries must have a minimum share capital of 25 million krona (\$2.8 million).

The law will permit foreign banks to deal in foreign exchange and securities and the government has said preference will be given to banks that have existing contacts with Sweden.

The contents of the bill, which was passed Friday by a big majority with only the communists dissenting, were announced last March.

In the Treasury bond market, the bellwether 11 1/4-percent issue due in 2015 was offered at 106 1/2 to yield 10.53 percent, down from a peak of 109 30-32 to yield 10.17 percent in Wednesday morning's leveraged trading, but still well above a May 30 quote of about 104 30-32 to yield 10.69 percent. On March 14, when interest rates were at about their highest levels of this year, the 11 1/4-percent bond was offered at 95 1/4 to yield 11.13 percent.

Rates on Treasury bills rose sharply as traders decided that overnight interest rates were not likely to fall immediately to 7 1/4 percent or less. The overnight rate for bank loans was slightly over 7 1/4 percent Friday, down from the 7.67 percent average for the last two weeks, but that decline was of little importance to traders who estimate that bill rates must be well above 7 percent at long as the overnight rate is above 7 1/4 percent.

By late in the day, three-month Treasury bills were bid at 7.17, up from 6.99 percent, while the six-month bill was bid at 7.29 percent, up from 7.01 percent.

On Friday, three-month Treasury bills were bid at 7.17, up from 6.99 percent, while the six-month bill was bid at 7.29 percent, up from 7.01 percent.

From the Mideast, Al UBAF

Arab International Bank in Bahrain is tapping the market for a \$30-million, three-year revolving underwriting facility. The bank will pay an annual fee of 15 basis points and underwriters agree to buy its CDs at a margin of 20 basis points over three- or six-month LIBOR.

Credit Commercial de France is arranging a seven-year facility for as much as \$200 million. It is paying an annual fee of 10 basis points and underwriters agree to buy its CDs or provide short-term advances at a price of 10 basis points over LIBOR. If less than one-third of the facility is used, CCF pays an additional utilization fee of 10 basis points. This increases in five-year steps if as much as two-thirds is drawn and if as much as 100 percent is used.

A major development in the market is expected this week, when Banque Nationale de Paris launches an operation designed to turn the backup commitment of underwriting banks into marketable securities.

Poll Finds Americans Distrust Business Executives

By Adam Clymer
New York Times Service

NEW YORK — For years, capitalists have been trusted far less than the free enterprise system they run, but much of the public's distrust was based on the principle of caveat emptor, or let the buyer beware.

Today, the distrust of corporate executives goes far deeper. The consensus is that most are not honest, that white-collar crime is frequent, that most such criminals get away with their crimes and that those who are convicted receive lenient punishment.

Those findings from the latest New York Times-CBS News Poll drew sharply conflicting reactions from business-watchers both inside and outside the corporate community.

Richard Lester, head of the Chamber of Commerce of the United States, shrugged off the findings, saying the press had overplayed recent indictments and thus had "conditioned that reaction" from the public. There are "12 mil-

lion corporations in the United States and a couple of dozen that are convicted of some kind of criminal activity" each year, he said.

But Rudolph W. Giuliani, U.S. attorney for the Southern District of New York, said he thought that "it's not unfair to come to the conclusion" the public reached. "Even if most businessmen wouldn't commit the kind of serious crime we prosecute, a great many violate the law in minor ways and cut corners," he said. "There's a serious ethical problem in American business."

The poll of 1,509 adults found that only 32 percent of the public thinks most corporate executives are honest, while 55 percent think most are not. The rest had no opinion.

The poll of 1,509 adults found that only 32 percent of the public thinks most corporate executives are honest, while 55 percent think most are not. The rest had no opinion.

NASDAQ National Market

Sales in 100s High Low Close Net Chg.									
A									
ADM-F	120	120	118	120	200	200	198	200	-2
ADC-T	30	32	31	32	1414.00	1414.00	1414.00	1414.00	-12
AEC	100	100	98	100	10	10	10	10	-10
AFG	100	100	98	100	100	100	98	100	-2
AST	100	100	98	100	100	100	98	100	-2
AT&E	100	100	98	100	100	100	98	100	-2
AT&T	100	100	98	100	100	100	98	100	-2
AT&T&E	100	100	98	100	100	100	98	100	-2
AT&T&T	100	100	98	100	100	100	98	100	-2
Accts-A	100	100	98	100	100	100	98	100	-2
Accts-B	100	100	98	100	100	100	98	100	-2
Accts-C	100	100	98	100	100	100	98	100	-2
Accts-D	100	100	98	100	100	100	98	100	-2
Accts-E	100	100	98	100	100	100	98	100	-2
Accts-F	100	100	98	100	100	100	98	100	-2
Accts-G	100	100	98	100	100	100	98	100	-2
Accts-H	100	100	98	100	100	100	98	100	-2
Accts-I	100	100	98	100	100	100	98	100	-2
Accts-J	100	100	98	100	100	100	98	100	-2
Accts-K	100	100	98	100	100	100	98	100	-2
Accts-L	100	100	98	100	100	100	98	100	-2
Accts-M	100	100	98	100	100	100	98	100	-2
Accts-N	100	100	98	100	100	100	98	100	-2
Accts-O	100	100	98	100	100	100	98	100	-2
Accts-P	100	100	98	100	100	100	98	100	-2
Accts-Q	100	100	98	100	100	100	98	100	-2
Accts-R	100	100	98	100	100	100	98	100	-2
Accts-S	100	100	98	100	100	100	98	100	-2
Accts-T	100	100	98	100	100	100	98	100	-2
Accts-U	100	100	98	100	100	100	98	100	-2
Accts-V	100	100	98	100	100	100	98	100	-2
Accts-W	100	100	98	100	100	100	98	100	-2
Accts-X	100	100	98	100	100	100	98	100	-2
Accts-Y	100	100	98	100	100	100	98	100	-2
Accts-Z	100	100	98	100	100	100	98	100	-2
Accts-1	100	100	98	100	100	100	98	100	-2
Accts-2	100	100	98	100	100	100	98	100	-2
Accts-3	100	100	98	100	100	100	98	100	-2
Accts-4	100	100	98	100	100	100	98	100	-2
Accts-5	100	100	98	100	100	100	98	100	-2
Accts-6	100	100	98	100	100	100	98	100	-2
Accts-7	100	100	98	100	100	100	98	100	-2
Accts-8	100	100	98	100	100	100	98	100	-2
Accts-9	100	100	98	100	100	100	98	100	-2
Accts-10	100	100	98	100	100	100	98	100	-2
Accts-11	100	100	98	100	100	100	98	100	-2
Accts-12	100	100	98	100	100	100	98	100	-2
Accts-13	100	100	98	100	100	100	98	100	-2
Accts-14	100	100	98	100	100	100	98	100	-2
Accts-15	100	100	98	100	100	100	98	100	-2
Accts-16	100	100	98	100	100	100	98	100	-2
Accts-17	100	100	98	100	100	100	98	100	-2
Accts-18	100	100	98	100	100	100	98	100	-2
Accts-19	100	100	98	100	100	100	98	100	-2
Accts-20	100	100	98	100	100	100	98	100	-2
Accts-21	100	100	98	100	100	100	98	100	-2
Accts-22	100	100	98	100	100	100	98	100	-2
Accts-23	100	100	98	100	100	100	98	100	-2
Accts-24	100	100	98	100	100	100	98	100	-2
Accts-25	100	100	98	100	100	100	98	100	-2
Accts-26	100	100	98	100	100	100	98	100	-2
Accts-27	100	100	98	100	100	100	98	100	-2
Accts-28	100	100	98	100	100	100	98	100	-2
Accts-29	100	100	98	100	100	100	98	100	-2
Accts-30	100	100	98	100	100	100	98	100	-2
Accts-31	100	100	98	100	100	100	98	100	-2
Accts-32	100	100	98	100	100	100	98	100	-2
Accts-33	100	100	98	100	100	100	98	100	-2
Accts-34	100	100	98	100	100	100	98	100	-2
Accts-35	100	100	98	100	100	100	98	100	-2
Accts-36	100	100	98	100	100	100	98	100	-2
Accts-37	100	100	98	100	100	100	98	100	-2
Accts-38	100	100	98	100	100	100	98	100	-2
Accts-39	100	100	98	100	100	100	98	100	-2
Accts-40	100	100	98	100	100	100	98	100	-2
Accts-41	100	100	98	100	100	100	98	100	-2
Accts-42	100	100	98	100	100	100	98	100	-2
Accts-43	100	100	98	100	100	100	98	100	-2
Accts-44	100	100	98	100	100	100	98	100	-2
Accts-45	100	100	98	100	100	100	98	100	-2
Accts-46	100	100	98	100	100	100	98	100	-2
Accts-47	100	100	98	100	100	100	98	100	-2
Accts-48	100	100	98	100	100	100	98	100	-2
Accts-49	100	100	98	100	100	100	98	100	-2
Accts-50	100	100	98	100	100	100	98	100	-2
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BOOKS

In the words of one former Penn Square employee: "In the past, we had irresponsible borrowers, and in the past we have had irresponsible lenders, but what we had here and are having to witness the consequences of in profusion, is the meeting, for the first time, of the irresponsible lender and the irresponsible borrower." It proves a cautionary tale for our times, if only we could figure out who was.

Mark Singer, an Oklahoman from Tulsa who is a staff writer on *The New Yorker*, where parts of "Funny Money" first appeared, tells the tale with wonderful verve. He concentrates not on the financial complexities of the catastrophe but on the colorful people involved. These range in hues of bizarre from William G. Patterson — the man at Penn Square in charge of oil and gas loans, who was affectionately known as "Monkeybrains" and whose idea of fun was to come to work in a cap with a duck on top of it or get into food-throwing fights over dinner — to Kenneth E. Tureaud, one of Penn Square's busier customers, whose "methodology," as one student of his career summed it, was "very simple. He borrows money and he doesn't pay it back."

Eventually, the price of energy stopped going up, and the fun ended, at a cost of several billion dollars in bad debts and collapsing banks. With the crash, the spirit of Singer's story dies a little. It may simply be that the characters in his story are so excessively the sort of people that most of the rest of us are not, that we get curious to know a little more about them, and Singer never does get close to them. He only reports their hallucinations. One of them had a dream in which God hit him with a 2-by-4 for trying to outsmart reality.

Another was "not opposed to the idea of bombing the Panama Canal, if that's what it would take to interrupt supply routes." "Yeah, bomb it," he said. "It'll take them Mexicans to figure out how to fix it." We never do get a firm grasp of them.

Or maybe it's that "Funny Money" trails off somewhat inconclusively, with two of the principals about to stand trial in Chicago for crimes against the pocketbook of the United States that were clearly more than the fault of any two individuals. Or maybe going up is just a lot more fun than coming down.

It doesn't really matter. As long as the swine is alive and the bubble is inflating, Singer's language swells appropriately. He has a satisfying gift for mimicry and an amusing sense of hyperbole. He speaks the American vernacular. He makes comic poetry of geology, oil technology and the art of turning liabilities into assets. He puts himself into the story just enough to infect with the fun it is obviously having. One comes away from "Funny Money" more intoxicated than hung over, and looks forward to the future adventures that Singer will no doubt be having.

Christopher Lehmann-Haupt is on the staff of *The New York Times*.

Big Ben Clock Is Unwrapped

LONDON — After 21 months under scaffolding, the last of the four clock faces on the Big Ben clocktower was unwrapped Wednesday. The neo-Gothic tower and the adjoining Houses of Parliament are undergoing a £25-million (about \$11.4-million) facelift. The cleaning and restoration which began in July 1981, will continue until 1990.

BRIDGE

Solution to Friday's Puzzle

SCRAM	TANG	HEMP
ERATO	EWER	OLIO
PEDAL	TOTO	TERN
TAI	IGOR	ONE MAY
SMILE	AND SMILE	
IRIS	EEEL	WTH
HAMLET	ARRESTEE	
ASEA	ADE	PARR
LINCOLNS	AMELIA	
TAD	DIN	EVEL
ACCUSE	SODA	SRO
RAID	RANK	NASAL
ANTE	THEE	GRETA
BAYS	YARD	EATED

hears, which failed by a trick, giving the North-South team 10 points in the transaction.

NORTH	
E	K
V	J
Q	75
O	A
J	13
S	3

EAST	
G	A
Q	82
S	874
6	84

WEST (D)	
G	874
Q	82
S	874
6	84

SOUTH	
V	884
S	883
6	833

Neither side was vulnerable. The bidding:
West: North East South
3 0 Dbl. Pass Pass
Pass Pass Pass
West led the diamond two.

By Alan Truscott

ON the diagramed deal, the losers were too passive in the bidding as shown. After West opened with three spades and North made a takeout double, East should have bid four spades. He was inhibited by his flat distribution, but a player whose partner opens with a three-bid should almost always raise with three-card support or better.

The lead of the diamond

dence was a conspicuous singleton. South won in dummy,

led the heart king and followed with the jack. When East played low, the declarer had

some thinking to do. He eventually played the ace for two good reasons.

West was not likely to have two singletons.

And, more important, the contract was now safe: South ran the diamond nine and was able to throw clubs on diamonds before the defense could score a club trick.

A trump finesse would have worked with the actual distribution but might have given the defense a chance to establish a club trick before the diamond queen was driven out.

In the replay East-West bid to four spades, which would have been unbeatable. This pushed North-South to five

hearts, which failed by a trick, giving the North-South team 10 points in the transaction.

NORTHERN IRELAND

WEST (D)

EAST

SOUTH

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4 857 8 857 8 857

6 853 8 853 8 853

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6 855 8 855 8 855

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Lakers Beat Celtics By 111-100 to Win NBA Championship

By William R. Barnard
The Associated Press

BOSTON — The Los Angeles Lakers, with most valuable player Kareem Abdul-Jabbar leading the way as he did in every victory, ended a generation of futility against the Boston Celtics with a 111-100 victory Sunday that gave them their third National Basketball Association title since 1960.

The Lakers, who won this series 4-games-to-2, now have won nine NBA titles, taking four in Los Angeles and five in Minneapolis. But this was the first over the Celtics in nine meetings since 1959.

For Boston, the defeat broke a streak of never having lost a championship series at home. The Celtics are now 15-2 in NBA finals, the only previous series loss coming in 1958 at St. Louis.

The Celtics were trying to become the first team to repeat as champions since they did it in 1969. They were only the third defending champion in that span to make it back to the finals.

Abdul-Jabbar, who scored 121 points in the Lakers' four victories, got eight of his 29 points Sunday in the first 8½ minutes of the third quarter. In that span, the Lakers broke away from a tie at 57, the 20th tie of the game, for a 79-67 lead.

But just as the Celtics did in the fifth game, when they cut Los Angeles' 18-point lead to four before falling short, they rallied. The Celtics closed to 82-72 by the end of the third period, then outscored the Lakers by 9-4 to start the fourth period, trimming the margin to 86-82 with 8:56 left.

Two free throws each by Abdul-Jabbar and James Worthy, who finished with 28 points, and a driving layup by Kurt Rambis rebuilt Los Angeles' advantage to 92-82 with fewer than seven minutes left to play and Boston got no closer than six the rest of the way.

Kevin McHale scored a career-playoff high 32 points for the Celtics before fouling out with 5:21 left. Larry Bird added 28, but had another frustrating shooting.

Abdul-Jabbar, at 38 the oldest player in the NBA, climaxed his big series with three straight baskets in the final minutes to give the Lakers an insurmountable lead at 109-97. Then, after a foul, he and Earvin "Magic" Johnson embraced in the free throw lane, certain in the knowledge that the years of frustration, particularly last season's seven-game defeat, had ended.

At the final buzzer, after the sell-out crowd of 14,890, which had exhorted the Celts all game, gave both teams an ovation, the Lakers quickly left the floor.

Of the 16 consecutive teams who have not repeated as champions, the Celtics have gone further than

any other. Of the two other defending champions to reach the finals, the Washington Bullets lost by 4-1 to Seattle in 1979 and the Lakers lost by 4-0 by Philadelphia in 1981.

McHale scored 13 points and made five of his six shots in the first period, but the rest of the Celtics were 4-for-19 and Los Angeles led by 28-26 at the end of the quarter.

Boston missed seven of its first eight shots, but stayed close with several offensive rebounds and steals. Then McHale made three straight shots for the Celts, each tying the score.

After Byron Scott and Danny Ainge traded jumper shots for a tie at 12, the fifth tie of the game, Los Angeles scored nine of the next 11 points, Worthy getting four, for a 21-14 advantage. That was the largest lead for either team in the first half. But the Celtics came right back with a 10-2 spurt, with two free throws by McHale giving them their first lead, 24-23.

Boston continued to shoot poorly in the second quarter but stayed close as the Lakers' running game failed to click. Early in the period, the Lakers misfired on three straight fast-break opportunities, then Abdul-Jabbar and Magic Johnson sat out the last 5:58 and 2:35 of the half, respectively, with three fouls each.

At halftime it was 55-55, the 13th tie of the second quarter and 19th of the half.

Friday night, Worthy made 13 of 17 shots and scored a career playoff high of 33 points right as the Lakers beat the Celtics, 120-111, in Ingleside, California. Abdul-Jabbar and Johnson joined Worthy with brilliant performances. Johnson set 26 points and 17 assists while Abdul-Jabbar had 36 points and did a strong job defensively.

After McHale scored 10 points in the first 13 minutes of the game, the Lakers' coach, Pat Riley, switched Abdul-Jabbar to guarding McHale and Boston's center-forward scored only eight more points the rest of the way.

The switch put 6-foot-8 (2.03-m) Rambis and the 6-foot-10 Bob McAdoo on the Celtics' 7-foot center, Robert Parish, who went on to score 15 of his team-high 26 points in the second half.

Parish and Bird, who scored 18 of his 20 points in the second half, led a rally that cut the Lakers' 70-52 lead to four points five times in the fourth period. But the Lakers, who went scoreless in the first 3:43 of the final quarter, rediscovered their offense and scored every time their advantage was cut to four.

After Bird's two free throws made it 107-103 with 3:55 left, Abdul-Jabbar sank three shots in a 10-4 spurt that gave the Lakers a 117-107 lead with 1:21 remaining.



Chris Evert Lloyd raised arms in jubilation after hitting winning shot in 6-3, 6-7, 7-5 defeat of Martina Navratilova.

Evert Triumphs in 'One of the Toughest Matches of My Life'

By Samuel Abt
International Herald Tribune

PARIS — Chris Evert Lloyd had not beaten Martina Navratilova in a Grand Slam tennis championship since 1982, but she made up for that dismal record Saturday by winning the French Open singles final in what Evert called "the toughest match of my life."

Evert, 30, who was seeded No. 2, defeated Navratilova, the No. 1 seed and the defending champion, 6-3, 6-7 (4-7), 7-5. Evert came from 0-40 down on her serve, then broke Navratilova to win the last set.

"There are so many places I could point at and say, 'If I had won this, if I had won that,'" Navratilova said ruefully.

The most prominent was the game that gave Evert a 6-5 lead in the final set. As the champion

neared its third hour of play, Evert started her service by double faulting, flubbing the return of a passing shot, then hitting into the net.

At that point, Navratilova had won 11 of the last 13 points and seemed on the verge of the same comeback that let her win the second-set tiebreaker after she trailed 3-1 and 6-5.

But Evert pulled to deuce with the aid of a reflex return at the net that Navratilova just missed hitting back. Next, Evert smashed a backhand into the right corner that Navratilova could not reach, although she went sprawling. Finally, Navratilova netted a forehand.

They battled to deuce in the next game before Navratilova hit a ball over the baseline and Evert put a passing shot down her left-hand line for the championship.

"This was the closest, most suspenseful final we've played," said Navratilova, 28, of her long rivalry with Evert. "That covers a lot of time and territory, since they now have competed in 66 matches. Navratilova had won 34, and 17 of the 19 titles, before Saturday's."

Evert's victory gave her the modern record for women in the French championship with six. She won her first in 1974 and had shared the record of five with Margaret Court, Smith of Australia, although Suzanne Lenglen of France won six in the 1920s. Navratilova has won the title twice, most recently last year when she beat Evert, 6-3, 6-1.

"She blew me off the court last year," Evert recalled.

Neither player dominated this time. The match, although spectacular, was erratic, even sloppy in

spots, as service was lost 17 times, 9 by Navratilova, 8 by her serve. "My serve failed me. I don't know where my serve is, but it's not here, it's not in France. I can't lose my serve nine times and win a match."

Had she lost, Evert said, "I would have been depressed about tennis. Martina's been so dominant and I've been thinking about retiring, so this victory came at a good time."

"I was getting beat pretty badly by her last year and this year it's been closer. It all depends on your confidence."

"I wasn't very confident when I was down 0-40. I kept telling myself to hang in there because I sensed she was a little nervous too. I'm proud of how I hung in there. On paper, I lost the match."

Navratilova, but she added that her problem had been her serve. "My serve failed me. I don't know where my serve is, but it's not here, it's not in France. I can't lose my serve nine times and win a match."

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Lendl jumped out to a 2-0 lead in the opening set, holding serve to begin the match at love, then breaking Evert in the second game. But Evert broke back in the third game, the final point coming when the Swede double-faulted.

Lendl pulled ahead in the sev-

enth game when he broke Evert's service to end the set at 30 when the Swede netted a backhand. And, after holding his own serve at 30, Lendl broke Wilander at 15 to close out the set, having won the last three games.

The two began the second set by trading service breaks. The Swede, however, attacking on almost every

point, nearly broke Lendl's service in the third game, then finally did in the fifth game. He then held his next three service games to knot the match at one set each.

As he had in the first two sets,

Lendl broke right back leveling the set at 1-1, but the 6-foot-1 Czech right-hander never held his serve in the set as Wilander applied constant pressure.

Down two service breaks, Lendl got one of them back in the sixth game when Wilander sailed a forehand long on the second break point. But in a 20-point game, the longest of the match, Wilander broke Lendl again — the fourth time in the set, then held to take a 2-1 lead in sets.

Lendl held at love to open the fourth set, the first time he had held his own service since the ninth game of the second set. But Wilander broke the Czech's serve in the third game, then held at love to take a 3-1 lead in sets.

Lendl never could get back in the match, dropping his serve again in the fifth game. Wilander then closed out the match at 30.

It was Wilander's fifth Grand Slam final and his fourth victory. He has won the Australian Open the last two years and could win a \$1 million bonus if he can capture the men's singles crowns at Wimbledon and the U.S. Open this year.

Wilander railed for his 3-6, 6-4, 6-2, 6-2 victory over Ivan Lendl in the French Open.

Wilander, 28, of Sweden, netted a backhand, taking the net at every chance, roared from behind Sunday to defeat defending champion Ivan Lendl 3-6, 6-4, 6-2, 6-2 and win the French Open men's singles tennis championship.

It was the Swede's second title at Roland Garros in four years, having won the crown in 1982.

When he defeated Argentina's Guillermo Vilas three years ago, Wilander stayed on the baseline. But against Lendl, the 20-year-old Swede fought his way to the net repeatedly, putting away winning volleys. And when he did stay back, he won most of the long-range rallies as he completely dominated the world's No. 2-ranked player.

"I didn't play my best tennis today," Wilander said. "But I played the right tennis on clay against Ivan. My tactics worked 100 percent today."

The strategy was to hit the ball deep and away from Lendl's punishing forehand and to go to the net at every chance.

"I've been working really hard on my volley, and today it worked 100 percent," Wilander said.

"The problem," Lendl conceded, "was that if I played steady from the backcourt, he was taking the short balls and coming to the net. And when I tried to be aggressive, I was missing. So neither strategy took me where I wanted to get."

The last three sets were all Wilander. Seeded fourth in this Grand Slam tournament, he attacked often and wisely, sending home volley winners time and again as Lendl stood helpless at the baseline or was caught going the wrong way at mid-court.

Wilander jumped out to a 2-0 lead in the opening set, holding serve to begin the match at love, then breaking Lendl in the second game. But Lendl broke back in the third game, the final point coming when the Swede double-faulted.

Lendl pulled ahead in the third set, the Swede took an early lead in the third set, breaking Lendl in the first set at 15. Lendl complained when a linesman called the final point wide. He walked to the spot where the ball had landed, apparently agreed with the call, and continued walking off the court, apparently going to the bathroom.

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SCOREBOARD

Baseball

Friday's and Saturday's Major League Line Scores

AMERICAN LEAGUE

DETROIT 10, BOSTON 2; 5-2

DETROIT 10, BOSTON 2; 5-2

TORONTO 10, BOSTON 2; 5-2

